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Austria Sch22	Indonesia Rp3100	Philippines. Pesos40
Bahrain Din0.650	Iran Rls160	Portugal Esc120
Belgium BFr48	Israel NS3.50	S.Arabia Rls7.00
Canada ....C$1.00	Italy L1700	Singapore ... S$4.10
Cyprus ....C£0.90	Japan Y600	Spain Pta145
Denmark . DKr10.00	Jordan Fils.500	Sri Lanka Rup30
Egypt .... E£2.25	Kuwait Fils.500	Sweden SKr9.00
Finland Fmk7.00	Lebanon ...£1250.00	Switz SFr2.30
France FFr7.00	Lux LFr48	Taiwan ...... NT$85
Germany DM2.30	Malaysia Rlo4.25	Thailand Bht50
Greece Dr120	Mexico Pes300	Tunisia Din0.800
Hong Kong....HK$12	Morocco Dh6.00	Turkey L600
Iceland Kr125	Neth Fl3.00	UAE Dhb.50
India Rup15	Norway Nkr10.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,727 Friday December 23 1988 D 8523 A

INDUSTRY

Peugeot and Fiat in joint venture

Page 2

World News

Soviets to scrap latest weapons in E Europe

The Soviet Union intends to scrap some of its most up-to-date tanks and other advanced *equipment in reducing its* forces in Eastern Europe, according to Maj-Gen Yuri Lebedev, deputy head of the Armed Forces General Staff directorate. Page 2

Namibian acrimony

Acrimonious exchanges at a formal signing of two treaties paving the way to Namibia's independence and the withdrawal of 50,000 Cuban troops from Angola underlined the potential fragility of the US-sponsored peace plan for southern Africa. Page 5

River attack kills 8

Leftist Colombian guerrillas ambushed a small naval vessel, killing eight men and wound*ing seven on the Guyabero* river 200km south-east of Bogota.

Sao Paulo rains

The worst rains in 58 years have struck Sao Paulo, Brazil's *biggest city, and left at least* seven people dead in landslides.

Christian unity hit

The Pope, in his end-of-year address to cardinals, said the decision by Anglican Church leaders to allow women to become bishops would badly affect Christian unity.

SA grenade attack

A grenade flung from a moving vehicle wounded 10 South African policemen and three civilians in Nyanga, a black township 15km south-east of Cape Town.

Maldives trial

Foreign mercenaries and their Maldivian backers who failed in an attempted coup last month are expected to stand trial in the Indian Ocean island republic within two weeks.

PLO debate

Executive committee of the Palestine Liberation Organisation will meet in Baghdad next week to discuss the formation of a Palestinian government-in-exile.

Radiation damages

Rick Johnstone, a former Australian airman, won damages of $679,500 for radiation sickness he said he contracted at a British atomic weapons testing site in South Australia.

Jackson peace call

Civil rights leader Jesse Jackson hailed the US Government's talks with the PLO as a courageous step and called on Israeli leaders to demonstrate a commitment to peace.

Castro EC talks

Cuban President Fidel Castro, demonstrating his wish for closer ties with the European Community, met for lunch with all EC ambassadors in Havana.

Algeria votes

Polling stations opened throughout Algeria for voters to re-elect Chadli Bendjedid as President for a third five-year term of office. He is the sole candidate of the National Liberation Front (FLN).

Vanuatu relaxes

Alcohol went on sale in Vanuatu for the first time in two weeks, *signalling a return to* normality after a week of political turmoil in the South Pacific island state.

Cover-up ends

Hundreds of art-loving or sim*ply curious* Chinese queued in freezing weather for an expensive taste of once forbidden fruit, the People's Republic's first show of nude paintings.

Angelic lottery

Angelic children's voices mesmerised Spain as they sang the winning numbers in the world's richest lottery, showering the country with $728m.

Financial Times

Because of the *Christmas* holidays the Financial Times will not appear on Monday and Tuesday, December 26 and 27.

Business Summary

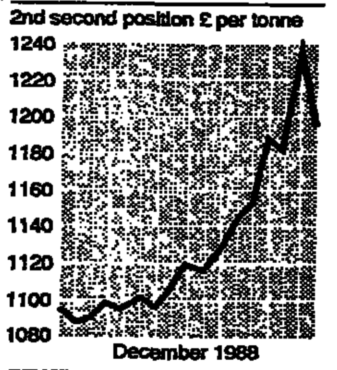
Alsthom and GEC to merge engineering, power units

GENERAL Electric Company of the UK and Compagnie Générale d'Eléctricité of France, and its Alsthom subsidiary, announced a merger of their electrical power generating and other heavy engineering activities to form Europe's largest power engineering company with annual sales of over $1.798bn. Page 16

PROFIT-TAKING and the prospective end to the port strike in Brazil wiped out Tuesday's sharp rise in coffee prices in London. In addition, the International Coffee Organisation (ICO) announced a further increase of 1m bags in the total world export quota to 58m bags. At the close on the London Futures and Options Exchange the March robusta contract was down £42 a tonne at £1,193 a tonne. On Tuesday the contract soared at one stage to £1,285 a tonne – the culmination of a steady rise in prices both in London and New York throughout December. Commodities Page 24

Coffee

2nd second position £ per tonne



BATTLE for William Collins entered an uncertain phase as Collins announced it was in talks with a potential white knight but News International insisted it would not sell its 41.7 per cent stake in the pub*lisher.* Page 17

BANCO SANTANDER, big Spanish commercial bank, increased its stake in The Royal Bank of Scotland by 5 per cent, taking its total shareholding in Britain's sixth largest high street bank to almost 10 per cent and making the Spaniards its biggest shareholder. Page 17

COPENHAGEN International Airport, and Denmark's two-sevenths share in Scandinavian Airlines System (SAS) *head the sales list in a major* privatisation scheme unveiled by the Danish Government as part of a four-year plan to streamline state administration. Page 20

EUROPE'S troubled shipbuilders will suffer a cut in the level of state subsidies they are allowed to receive, following a European Commission ruling. Page 2

SWISS ETERNIT Group, one of the world's leading fibre-cement producers, is to gradually withdraw from the asbestos sector and plans to strengthen other activities. Page 19

TATA IRON and Steel Company (Tisco), India's largest private sector company, proposes to offer part of its equity to international investors *through a convertible deben*ture offer. Page 21

HANS FRIDERICHS, former West German Economics Minister and later chief executive of Dresdner Bank, was unanimously elected to be the new supervisory board chairman of Co op, the troubled German retailer which on Saturday sacked its entire managing board. Page 18

MOODY'S Investors Service said it may downgrade the ratings on nearly $3bn in debt securities of two US merchant banks, Shearson Lehman Hutton and Salomon Brothers. Page 20

BRIERLEY INVESTMENTS, Mr Ron Brierley's international investment group, said it was no longer interested in owning Bank of New Zealand. This follows follows the Government's rejection of its bid. Page 18

METALLGESELLSCHAFT, West German metals, mining, chemicals, and engineering group, is taking a majority stake in Europe's largest tungsten operation in a deal which also involves the sale of its profitable packaging interests. Page 18

NORTH BROKEN HILL and CRA, two Australian mining and smelting groups, released *details of* the equity raising planned for Pasminco, the base metals joint venture first announced in June. Page 18

AT LEAST 280 DEAD ● US RECEIVED BOMB THREAT ● UK ANTI-TERRORIST SQUAD INVESTIGATES

Sabotage suspicion grows

By Richard Donkin and Michael Donnein London

WARNINGS of plans to place a bomb on a Pan American flight in Europe were received by the US Embassy in Helsinki two and a half weeks ago, it emerged yesterday as suspicion grew that sabotage was responsible for Britain's worst ever air disaster.

Scotland Yard's anti-terrorist squad was last night investigating the crash, which killed at least 280 people.

All 258 passengers and crew on board the Boeing 747 Pan *Am flight 103 from Heathrow* to New York perished when the aircraft broke up and came down in a ball of flames over the Scottish town of Lockerbie, 15 miles from the border with England, on Wednesday evening. Most of the passengers were American.

At least 22 people died in the town when 10 houses were destroyed. Some died in their cars. A number of other people were still missing.

Ashley Ashwood

A policeman surveys the wreckage of the nose and cockpit section of the crashed airliner

Mr Ronald Spiers, Under-Secretary for *Management* at the US State Department, said yesterday the Helsinki Embassy had received an anonymous telephone call threatening to blow up a Pan Am jet flying from Frankfurt.

He said the warning was passed to the Federal Avivation Administration which then notified US embassies, foreign governments and airlines flying in the European region, including Pan Am. The International Air Transport Association said that British security services knew of the threat.

Four US government employees were known to have been on the flight. The US Ambassador to Lebanon had missed his connection after being delayed in Nicosia.

Thirty-eight students from Syracuse University in New York state were also killed.

According to reports in Washington yesterday, the caller said he was a member of Abu Nidal, the radical Palestinian group. He said the bomb would be carried by a woman and placed on board a Pan Am jet.

The US State Department discounted a claim telephoned to the UPI press agency in London yesterday that the aircraft had been blown up by a group calling itself the Guardians of the Islamic Revolution in revenge for the American shooting down of an Iranian *airliner in the Gulf* earlier this year.

One unconfirmed report said a warning was passed to the US by Mossad, the Israeli secret service.

Mr Charles Price, US Ambassador to Britain, said yesterday at the crash site at Lockerbie, south-west Scotland, that embassies had been at a hightened state of alert since Mr Yassir Arafat, leader of the Palestine Liberation Organisation, addressed the United Nations in Geneva last week.

A team of seven investigators began photographing and the wreckage, most of which was strewn over a 10- to 15-mile area.

The main section of the jet, which could have contained tanks nearly full of fuel in the 43,000-gallon capacity aircraft, fell on a petrol station spewing a sheet of fire over nearby houses. Some houses were reduced to rubble.

Other fireballs ripped through cars on the main A74 Glasgow road which passes the town. At least two were instantly engulfed in flames.

Some debris was found 80 miles away in Northumberland.

Mr Paul Channon, British Transport Secretary, said it would be two to three weeks before the Transport Department's Air Accidents Investigation branch could make a preliminary report.

Mr Rodney Willis, director of security of the International Air Transport Association, said the catastrophic nature of the accident, the sudden loss of radio contact, the speed at which the aircraft hit the ground and eye-witness accounts of an explosion in the air all pointed to sabotage.

Air Accident Branch Investigators from the Department of Transport yesterday recovered the two flight data recorders, reported to be in good condition, and sent them immediately to their headquarters at the Royal Aerospace Establishment, Farnborough.

Among those who died yesterday were: Mr James Füller, Vice President of Volkswagen US, Mr Lou Marengo, Volkswagen US marketing director, Mr John Mulroy, director of international communications for Associated Press, Mr Mark Rein, treasurer of Salomon Inc and of Salomon Brothers, its investment banking subsidiary, and Mr Bernt Carlsson, United Nations commissioner for Namibia.

Mrs Margaret Thatcher yesterday visited the scene of the crash at Lockerbie. She sent a message of condolence to President Ronald Reagan.

The Lockerbie disaster, Pages 6 & 7; How the flight recorders stay intact, Page 11

The nightmare tragedy deepens in daylight

By James Buxton in Lockerbie

THE SMALL Scottish town of Lockerbie was yesterday a place of smouldering buildings, huddled conversations and rampant media activity.

On the hills outside the town, police, troops and helicopters were engaged in the macabre work of collecting the corpses of victims of the jumbo jet disaster. Above, in the cold blue sky, were the vapour trails of other airliners on their way to North America, ignored, as they have almost always been, by the people below.

"What's difficult is trying to understand what Lockerbie has got to do with an explosion on a jet 30,000 feet above us," said one pub owner in the town. "It would have been easier to grasp if it had been a low-flying RAF plane that had crashed."

After the shock of the night before, the 3,000 people of Lockerbie could yesterday contemplate in daylight the tragedy that had hit their town. Houses which had stood in a row on the south-west side of the town had either been razed or severely damaged by falling debris from the Pan Am jet.

A section of the A74 trunk road which skirts the town was damaged near the crater where part of the aircraft had ploughed into the ground. In the town itself, workers were repairing houses damaged by flying wreckage, or tying tarpaulins over holes in roofs. Much of the town was unscathed.

The inhabitants yesterday tended to gather in little groups on the streets, discussing the tragedy and lamenting fellow townspeople they have lost. There was a constant knot of people outside the town hall, incongruously being used as a temporary mortuary. They checked for gaps among the names on the long list of Lockerbie people happily recorded as having survived the crash – and occasionally drawing melancholy conclusions from the absence of a name.

However, the people of Lockerbie yesterday appeared to be outnumbered by the army of police and rescue services, and by the hundreds of reporters and television crews. The media congregated outside the police station, the main centre of activity, and surged in pursuit of Mrs Margaret Thatcher, UK Prime Minister, and the Duke of York, both of whom toured the devastated part of the town and visited sites in the countryside beyond.

Most of the serious *activity* was taking place outside Lockerbie. Hundreds of police, soldiers and RAF mountain rescue men worked on the half-dozen places where most of the wreckage came down and many of the corpses were strewn. The activity reached a crescendo of whirring helicopters just before the early dusk of the shortest day of the year.

Television cameras on extended gantries tried to catch the scene. Lockerbie people peered surreptitiously out of windows, some of them with binoculars, and discussed what was happening in urgent undertones. They were necessarily separated from it, and it was another element of what must have seemed the unreality of events.

Shaken Drexel refuses to give ground to rivals

By Roderick Oram in New York

SHAKEN but not shattered by its $650m settlement with the US Government of criminal charges, Drexel Burnham Lambert gave no ground to its competitors yesterday as it fought to keep its place among top investment banks.

Although markets were unaffected by the news that Drexel would pay *the largest* penalty ever levied on a Wall Street firm, the legal ramifications of the settlement began to multiply. Most notably, state securities commissioners said they would study whether or not to revoke its licences in their jurisdictions or impose additional fines.

Drexel's guilty pleas to federal felonies "could be the basis for action by state regulators to suspend or revoke its licences," said Mr Lee Polson, general counsel of the North American Securities Administrators' Association which represents state securities commissioners.

Drexel also faces a confrontation with the Securities and Exchange Commission which brought related civil charges against it in September. Implementation of the agreement on criminal charges, reached on Wednesday, is conditional on a settlement with the SEC.

Mr David Ruder, the SEC's chairman, who was giving unrelated testimony, told Congressmen yesterday, that it would be inappropriate for him or his regulatory agency to comment on the Drexel case yet.

Judging by precedents which pale in comparison with the scope of Drexel's problems, the SEC could well require the firm to overhaul its management personnel and systems.

Mr Howard Baker, a former Chief of Staff in the Reagan White House, met with the firm on Tuesday amid speculation he might be offered a senior post.

The firm said, however, that no offer was on the table and that Mr Baker's meeting concerned "corporate governance and other legal issues."

As soon as the news about the settlement broke on Wednesday evening, Drexel's staff began a telephone blitz of their clients to assure them the firm could maintain its role.

"After the settlement, we will continue to have one of the strongest financial positions of any firm in our industry," it said in a statement.

Not too complex for investigation, Page 14

Commission acts to harmonise EC company takeover rules

By David Buchan in Brussels

THE European Commission yesterday proposed common Community rules governing takeover bids for publicly quoted companies, with which the bid-policing authorities in some EC states would have to conform.

The Commission said that its proposed directive, which *needs only* a weighted majority of member states for approval, was designed to fashion a "level playing field" out of widely-differing, and in some cases non-existent, takeover rules among the 12 EC states.

With the advent of a single European market and consequent industrial restructuring, the number of public offers for quoted companies was rising, the Commission said. The UK still had more takeovers than the other 11 countries put together, but this year had seen a big increase in bidding activity in France.

On the issue of foreign reciprocity, the Commission plans leave it open to member states to block a bid from a non-EC company if EC companies are effectively barred from takeovers in that company's home country. But Brussels says that it intended to raise the reciprocity issue in the Organisation of Economic Co-operation and Development (OECD).

The draft directive would regulate the behaviour of bidding and target companies in a takeover battle. Once one company had acquired one third of the shares of another company, it would be required to launch a public offer for all remaining shares in that company. It would also have to detail in its bid document its intentions towards the *target* company, in *terms* of general policy, use of assets, employment and future debt plans.

Once a bid was launched, the defence tactics of the target company could only be determined by a general meeting of its shareholders, and not the management which, during the offer period, would be limited to "current operations." Such defensive measures as special capital issues to dilute a hostile bidder's holding, or asset sales, or absorption of subsidiaries, could only be implemented if they had been already specifically authorised by a general shareholders

Continued on Page 16

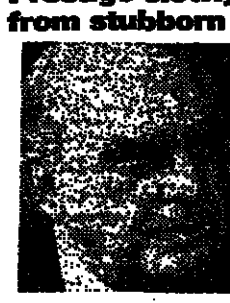
UK legislation

The British Government yesterday published proposals for the first overhaul of the country's company legislation for eight years in planned legislation which also would amend methods for examining mergers and strengthen investigation powers.

Page 16; Details, Page 9

CONTENTS

Prestige slowly drains away from stubborn Papandreou



Greeks will relish their long Christmas break particularly this year as a respite from the extraordinary political crisis their country faces. The moment of truth for Prime Minister Papandreou may be near.

Page 16

Commission orders cut in subsidies for shipbuilders

By William Dawkins in Brussels

EUROPE'S troubled shipbuilders will suffer a cut in the level of state subsidies they are allowed to receive, following a European Commission ruling yesterday.

The Brussels authorities will reduce from January 1 the maximum amount of production assistance allowed under EC shipbuilding rules from the present 28 per cent of contract cost to 26 per cent. They have also dropped the aid ceiling for smaller vessels – worth up to Ecu6m (£3.9m) – from 20 per cent to 16 per cent. Member states are not entitled to change the decision.

Those figures are calculated to bridge the gap between high European costs and cheap competition from Japanese and South Korean yards. Commission experts believe EC shipbuilders have become more competitive over the past year thanks to productivity improvements, rationalisation and price increases. Far Eastern yards' competitiveness has at the same time been eroded by high wage settlements.

Mr Peter Sutherland, the commissioner for competition, had originally proposed an even sharper cut in subsidies, from 28 per cent to 23 per cent, but was obliged to compromise at 26 per cent under pressure from his Brussels colleagues.

Even so, the decision is likely to draw complaints from Italy, which has in the past pressed for more assistance for the industry, though British yards are understood to accept it grudgingly. Both countries have been harder hit than most by the 40 per cent decline in the size of the EC's fleet since 1980. West Germany, Denmark and the Netherlands – whose shipbuilding industries are more efficient – have tended to argue for even lower aid levels.

EC shipbuilding aid ceilings are reviewed annually, but have stayed the same since the present regime was installed in early 1987. Previously, the Commission negotiated different levels of subsidy with individual member states.

Agencies add: The Commission said yesterday that Racal Decca Marine Navigation, a unit of the British company Racal Electronics, had agreed to end anti-trust practices aimed at remaining a leader in the shipping navigation system market.

The Brussels executive said Racal Decca had sought to protect the "dominant position" of its Decca Navigator System on the EC market by concluding market and client-sharing agreements with competitors.

The commission said that Racal Decca had breached the EC's anti-trust rules, but it did not impose a fine because the company had agreed to end the anti-competitive practices.

Tougher rules on aid to car industry

By William Dawkins

DETAILED tougher rules against state aid for Europe's car industry were yesterday adopted as official policy by the European Commission.

The plan, which was endorsed in outline last June, means state subsidies for any car industry project worth Ecu12m (£7.8m) or more must be cleared in advance through the Brussels authorities. Governments must do this irrespective of whether the grant is a new scheme or extra money for a project already approved by the Commission.

The aim is to make it harder for governments to cheat on tough EC anti-aid rules in a sector that is still heavily subsidised in France, West Germany, Italy and – until recently – Britain. Previously, the Commission applied state aid rules to the car industry on a case-by-case basis. The decision yesterday is aimed at ratifying the tough approach that has been developed in this way, so the immediate practical change will be small.

The new rules take effect from January 1, will last for two years, and apply to all producers of vehicles and vehicle engines. Brussels will also check on the allocation of EC regional funds to car industry projects to ensure free competition is protected.

The decision comes at the end of a year in which the Commission has shown unprecedented determination to crack down on car industry subsidies. It has ruled that the French Government can only write off FFr12bn (£1.1bn) worth of Renault's debt on condition that it removes the car company's state-guaranteed status, a decision which Paris has promised to challenge.

Bonn says E Germany suppressing opposition

By Leslie Colitt in Berlin

A SENIOR West German official has criticised the conservative East Berlin leadership's "brutal suppression" of even the slightest sign of opposition.

Mr Ottfried Hennig, State Secretary in the Ministry for Inner-German Relations, said East German demonstrators had been arrested, Western journalists impeded and Protestant Church publications massively censored over the past year.

He hoped the reforms launched by Mr Mikhail Gorbachev in the Soviet Union would also prevail in East Germany.

Despite his criticism of East German behaviour over human rights, he said West Germany's relations with the communist state were "excellent". Nearly 1.3m East Germans below retirement age (when travel becomes unrestricted) had been allowed to visit West Germany since last January. In 1982 there were only 40,000 visits.

More than 25,000 East Germans were allowed to emigrate to the West up to the end of November, nearly double the number last year.

Meanwhile, the son of Mr Günther Guillaume, the East German spy discovered in the office of ex-Chancellor Willy Brandt, has given an interview in West Germany sharply criticising the refusal of the East German leader, Mr Erich Honecker, to permit Soviet-style reforms. Mr Pierre Guillaume, 31 and a former party member, said the East German party apparatus felt deeply threatened by perestroika and glasnost in the Soviet Union.

Moscow to scrap 'up-to-date arms'

THE Soviet Union intends to scrap some of its most up-to-date tanks and other advanced equipment in reducing its forces in Eastern Europe, one of its generals said yesterday, Reuter reports from Moscow.

Major-General Yuri Lebedev, deputy head of the Armed Forces General Staff directorate, told a news conference: "We have heard allegations that we were trying to withdraw old tanks and I can say nothing of the kind is the case.

"We will pull out our most up-to-date equipment and frontline combat troops."

Referring to Soviet President Mikhail Gorbachev's announcement that 50,000 men and six tank divisions would be pulled out of East Germany, Czechoslovakia and Hungary, Gen Lebedev said these forces would not be redeployed

"All materials withdrawn from the Warsaw Pact allies will be destroyed at special sites," he said.

Last week the US ambassador to the North Atlantic Treaty Organisation, Mr Alton Keel, said the impact of Mr Gorbachev's announcement would depend on how many frontline tanks were withdrawn.

Gen Lebedev said foreign observers would be invited to watch the destruction of military hardware. Some equipment, such as cranes and trailers, would be retained for use in the civilian sector.

Mr Gorbachev announced the cuts, to be carried out over a two-year period, in a speech on December 7.

● A Soviet general has said the unilateral arms reductions proposed by Mr Gorbachev should make it harder for the West to justify upgrading its forces in Europe, our Moscow staff reports.

General Nikolai Chervov, head of the general staff directorate, was speaking in an interview with the trade union daily newspaper Trud.

He said the promised reduction in Soviet troop strength would "considerably complicate efforts by Nato to justify the necessity to supplement the arms of Western Europe in conditions of the alleged superiority of the Soviet forces".

He added that in the light of the cuts: "It will be very difficult for them to persuade parliament and peoples of the necessity to invest millions of dollars on the military."

Polish party hardliners oppose election of leading reformers

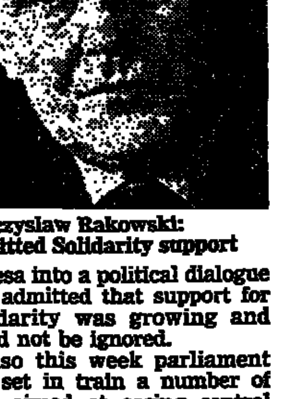
By Christopher Bobinski in Warsaw

ALMOST a third of the Polish Communist Party's central committee failed on Wednesday to support the election of Mr Stanislaw Ciosek to the party politburo and secretariat. It was a display of hardline opposition to the party leadership's pragmatic policies.

According to figures published yesterday, of the 212 central committee members present and voting Mr Ciosek, who is a keen proponent of co-opting the Solidarity opposition into the political system, won the support of only 143.

Others who entered the leadership with a low vote in the reshuffle on Wednesday were Mr Zygmunt Czarzasty, an innovating party bureaucrat, and Professor Janusz Reykowski, a psychologist of liberal renown in party circles.

The vote came after Mr Mieczyslaw Rakowski, the Prime Minister, had clearly signalled in a speech at the plenum that the authorities were fully intent on drawing Mr Lech



Mieczyslaw Rakowski: admitted Solidarity support

Walesa into a political dialogue and admitted that support for Solidarity was growing and could not be ignored.

Also this week parliament has set in train a number of bills aimed at easing central restrictions on the state sector and private enterprise as well as de-monopolising the banking system. Parliament is also due to approve a long-awaited law on foreign investment aimed at encouraging western capital to Poland.

In a direct reaction to moves of this kind the hardline vote at the plenum was accompanied by several speeches accusing the authorities of following "capitalist models" and permitting the development of a new bourgeoisie by encouraging both the private sector itself and private links with state companies.

Mr Czeslaw Borys from Czestochowa argued that present economic policies were out of tune with "the ideals of social justice" while the party was being elbowed aside.

Criticism of this kind from the populist wing of the party, backed by a bureaucracy afraid of losing influence should the changes being suggested by the authorities take hold, is likely to re-emerge at a mid-term party delegate conference early next year.

Hungary votes to ease income tax burden

HUNGARY'S parliament voted yesterday to ease the income tax burden on Hungary's highest and lowest paid workers, agencies report.

Under the legislation, the tax threshold on annual income will rise to 55,000 forints (£580) in 1989 from 48,000 forints this year.

The lowest marginal tax rate will drop to 17 per cent from 20 per cent and the highest to 56 per cent from 60 per cent.

However the legislature, apparently weighed down by business, postponed until January debate on laws recognising the formation of political groups independent of the Communist Party.

Over the past year dozens of independent groups have developed. Many have highly political platforms and want to put up candidates in elections in 1990.

The laws, according to drafts published this week, are to recognise the basic right of citizens to assemble and associate, and determine registration procedures.

Turkey's bank chief seeks more autonomy

By Jim Bodgener

A BID for greater independence has been launched by Turkey's central bank governor, Mr Rusdu Saracoglu. He is complaining of undue political pressure on the bank from what he terms "the inflation lobby" – people who in his view benefit from subsidised credit and excessive money supply growth.

The bank governor says he wants a realistic and consistent medium-term programme of controlled emission to protect the lira's value.

The central bank should be given more control over foreign and domestic borrowing, he says, while the treasury, government ministries and state economic enterprises should not be allowed to squeeze extra funding from it.

During the first week of December, the volume of issued bank notes decreased by TL50bn (£15m) to total TL4,307bn, but that is still 42.7 per cent higher than the total at the end of 1987. The M2 money supply has increased over the year by 50 per cent to total TL22,229bn.

Printing money to cover a widening budget deficit has been cited by economists as one of the main engines of rampant inflation in Turkey, which reached 86 per cent in the year to the end of October.

In an interview, Mr Saracoglu said the high inflation stemmed from two fundamental causes – the high rate of the public sector borrowing requirement in relation to the small size of the financial markets, and the corresponding weak demand for Turkish lira-denominated assets.

The PSBR is likely to work out at between 6-6.8 per cent of gross national product, according to senior officials. Some say this is reasonable compared with other OECD countries, but Mr Saracoglu does not.

The Government's high short-term borrowing which has to be rolled over expensively every six months is one of the main impediments to its medium-term recovery programme. Particularly inflationary are government bonds and bills – which in the first half of the year, accounted for TL2.1 trillion of the total interest paid out on domestic debt of TL3.9 trillion, compared with their 18 per cent share in the Government's total domestic debt stock of TL18.3 trillion.

Proposals are being floated to entice savers into medium-term government instruments. However, Mr Saracoglu was disturbed by a proposal floated in the Supreme Economic Planning Council to introduce bonds index-linked to the European Currency Unit (Ecu) in an attempt to attract Turkish savers in to medium-term government securities.

He said it was dangerous to predicate borrowing on the premise that domestic inflation would keep falling.

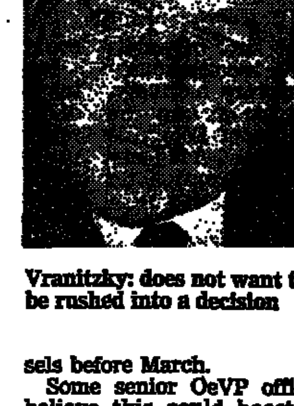
Austria ponders its neutral status

Judy Dempsey reports on the debate over EC membership

AUSTRIA'S socialist-led Government will apply for membership to the European Community next year. The timing of the application, as well as the effects it could have on the country's neutrality, has divided the fragile coalition.

Mr Franz Vranitzky, Chancellor and leader of the Socialist Party (SPOe) wants the so-called letter of application to be sent to Brussels, possibly next April.

In the meantime, as chairman of a ministerial commission looking into yet more studies on how the Austrian economy will be affected by membership, he does not intend to be rushed into making a final decision.



Vranitzky: does not want to be rushed into a decision

Mr Alois Mock, the Vice Chancellor and Foreign Minister who is also head of the conservative People's Party, (OeVP), the junior partner in the coalition, sees the membership issue in a somewhat different light.

While both party leaders regard application as probably one of the most important decisions Austria has made since 1955, when the country regained its independence, Mr Mock is being pushed into using the EC issue for electoral reasons, ahead of provincial elections in March.

Mr Mock's advisors, most notably Mr Helmut Kukacka, the (intellectually light-weight) OeVP general secretary, is urging the Vice-Chancellor, in his capacity as Foreign Minister, to send the letter to Brussels before March.

Some senior OeVP officials believe this could boost the party's electoral chances. Mr Mock could present himself in March as "Mr Europe" while Mr Vranitzky would be mistakenly portrayed as a dithering politician who is luke-warm about Europe.

Such OeVP tactics are not something the SPOe are prepared to go along with.

And more circumspect OeVP and SPOe politicians realise these tactics are overshadowing a crucial aspect in the debate; namely, will Austria's neutrality be compatible with membership of the EC?

This was an issue raised by the Soviet authorities when both Mr Mock and Mr Vranitzky visited Moscow recently.

Moscow believes Austrian neutrality is incompatible with EC membership, particularly if the EC evolves into some form of political union. On the other hand, Moscow has not vetoed Vienna pressing ahead with its application. The Soviet attitude is taken very seriously in Vienna because of Austria's post-war history.

In May 1955, the Soviet Union, along with the US, France and Britain, signed the Austrian State Treaty restoring Austria's independence. A month earlier, the Austrian Government and Soviet officials agreed the Moscow Memorandum, in which Austria gave assurances that "the Austrian Republic...intends not to join any military alliances or permit military bases on her territory and will pursue a policy of independence."

Officials from both parties admit that neutrality would be incompatible with the EC in certain hypothetical situations, while joining the EC would not in itself mean Austria compromising its neutrality.

For instance, Austrian officials say that if the EC, for political reasons, imposed an embargo on a country, Austria's neutrality could be compromised.

"We want to join the EC in order to be part of the decision-making processes. Standing on the side-lines as 1992 approaches is not good enough. Waiting for EFTA (the European Free Trade Association) to move closer to the EC is too slow. But, and this is a big but, we will have to explain our neutrality to Brussels," a senior government minister said.

In effect, what Austria wants is a situation whereby the EC will take note of its special neutral status if those hypothetical embargoes materialise.

This raises the question about how "special" Austria's neutrality is.

In many ways, the country's neutral status is part of the post-war division and ordering of Europe. Some on the left of the socialist party argue that EC membership would do untold damage to the balance of power in Europe.

Others socialists are not so sure and prefer to ask questions about the changing nature of East-West relations in Europe itself.

For instance, they cite unprecedented contacts now being forged between Comecon, the Socialist trading bloc, and the EC. They dismiss notions, often expressed by the far-left of the SPOe, that the Soviet Union would exert pressure on France or West Germany to turn down Austria's application for the sake of maintaining its neutrality.

"But it is not, and never has been a question of us giving up our neutrality," a senior government minister said.

"What is at issue is how we interpret our neutrality. And this is what we will have to address if and when our membership is accepted. And those negotiations with Brussels will be far from easy."

Success for the 'Rocard method'

MR MICHEL Rocard's Socialist Government has survived its first six months in office with reasonable success despite the lack of a reliable parliamentary majority and the long-drawn-out harassment of a rolling wave of public sector strikes.

At the end of its first National Assembly session, it appears to be in at least as good shape as the opposition parties on the right, or its hostile allies in the Communist Party.

The low point in the Government's fortunes came at the beginning of December, after two weeks of the Paris public transport strike, with a censure motion tabled by the right-wing Gaullist RPR in the National Assembly, and the loss of two Socialist seats in by-elections.

The censure motion was defeated by the abstention of the Communists and a handful of centrist members, but the by-election losses were described as "Black Sunday for Mr Rocard" by Le Monde newspaper. The following week the Nouvel Observateur news magazine asked: "Is Michel Rocard Finished?"

Barely a week later, it looks with hindsight as if the balance sheet of the Rocard Government is considerably less bleak than that. It held out against the demands of the maintenance engineers in the Paris Metro system and in effect stood up to the politically-inspired pressures of the CGT Communist-led trade union; in the end the CGT succumbed to the unpopularity of the strike, and the engineers reluctantly returned to work.

In the National Assembly the Government has survived without real difficulty. The censure motion was an embarrassment, but it also exposed the divisions of the opposition: the parties in the centre-right UDF umbrella grouping refused to sign it, and a handful of centrist deputies also declined.

The lack of a predictable majority has made the passage of some legislation a delicate balancing act; the votes on the different chapters of the budget required time-consuming negotiations with both left and

The French Socialist's balance sheet at the end of his first six months looks respectable, writes Ian Davidson

right. Mr Rocard argues optimistically that this obliges the National Assembly to do its job more thoroughly.

Moreover, the shifting majorities which have been assembled for various pieces of legislation during the past six months have looked like a living demonstration of the "Rocard method" of seeking the broadest possible consensus.

Thus, the new minimum guaranteed income scheme secured support from all parties; the new wealth tax, while backed only by the Socialists, passed through the abstention of the centre-right and the Communists; the conclusive vote on the budget was supported only by the Socialists, but passed thanks to Communist abstention.

Only in one piece of legislation, the creation of a new broadcasting authority, was Mr Rocard compelled to invoke the last-resort article 49.3 of the Constitution, under which a measure is automatically carried if the opposition fails to pass a censure motion.

Early predictions by the political Cassandras tended to converge on the notion that President Francois Mitterrand might not intend Mr Rocard to last as Prime Minister much beyond the municipal elections scheduled for next March.

However, Mr Rocard himself claims that President Mitterrand is his "strongest support", and the most recent party manoeuvrings suggest that the approach of the municipal elections, and the subsequent elections to the European Parliament scheduled for June, are proving at least as stressful for the opposition as for the Socialist Party.

The Gaullists are seeking to negotiate a united conservative front against the Socialists in both elections, but the centrist UDC party, having asserted its existence as an independent party in the National Assembly, and uneasy at the Gaullists' history of nationalism, is not yet willing to play second fiddle to the much larger Gaullist party in the European elections.

The Socialists are optimistic of a degree of alliance with the Communist Party.

Peugeot and Fiat launch a bold pre-emptive strike

Their plan to double capacity challenges European and Japanese competitors alike, writes Kevin Done

PEUGEOT and Fiat's ambitious plans to double the capacity of their joint Sevel van manufacturing venture is a bold pre-emptive strike against their western European rivals in one of the most profitable segments of the European motor industry.

The FFr3.5bn (£319m) scheme announced this week to build a van plant in northern France to complement the two companies' facility in southern Italy is a rude challenge to the existing market leadership of Ford and Volkswagen and is a warning shot across the bows to Japanese commercial vehicle makers harbouring ambitions of securing a bigger foothold in this sector.

It will give the two companies a production capacity unrivalled in the European industry.

The Peugeot/Fiat move is also evidence of the strengthening self-confidence among European van makers, who had appeared to be looking in the mid-1980s increasingly towards co-operation deals with Japanese producers as a way of gaining new technology and of sharing research and development costs.

The Japanese share of the European van industry jumped from around two per cent in the early 1970s to an estimated 13 per cent by 1987.

The challenge served to rouse a previously conservative sector, however, with several European van makers developing new products.

At the same time the most important Euro-Japanese co-operative venture, a deal between Daimler-Benz and Mitsubishi to produce a Mitsubishi medium van, the L300, at a Daimler-Benz plant in Spain has fallen through this year, although the two companies are still studying the joint development of components.

The medium van market proved itself to be more resilient to to the ravages of recession than most of the European motor industry in the early 1980s, and the steady profits it has generated is clearly a big factor driving Peugeot and Fiat to try to secure a bigger slice of the cake.

Medium van sales fell by only 9 per cent between 1980 and 1984, a period when European truck production, for example, was cut by nearly 40 per cent and most volume car operations slumped deep into loss.

In the last three years van sales have accelerated in line

WEST EUROPEAN VAN PRODUCTION (2.01 – 3.50 tonnes) by model range

Make	Model	1987	% share	1988	% share	% change
Ford	Transit	130576	21.5	113559	20.1	15.0
VW	Transporter	114363	18.9	122325	21.6	-6.5
Sevel*	Ducato	104095	17.2	90254	16.0	15.3
Renault**	Trafic	58741	9.7	52753	9.3	11.4
Mercedes	Bremen	45808	7.6	48520	8.6	-5.6
Iveco	Daily	36138	6.0	32366	5.7	11.7
VW	LT	20821	3.4	18463	3.3	12.8
Freight Rover	Sherpa	19833	3.3	18364	3.2	8.0
Renault	Master/B70	18310	3.0	16090	2.8	13.8
Ebro***	Tradevan	15018	2.5	12117	2.1	23.9
Peugeot	J9	14174	2.3	13082	2.3	8.3
Mercedes	MB90–MB180	11061	1.8	8047	1.4	37.5
Bedford	Midi/CF	8261	1.4	10920	1.9	-24.3
Citroen	C35	6571	1.1	5338	0.9	23.1
Enasa	J4	2467	0.4	3269	0.6	-24.5
Sovam		75	0.0	59	0.0	27.1

*Jointly owned by Fiat and Peugeot, products badged Fiat Ducato, Peugeot J5, Citroen C25 and Talbot Express.
**Includes CKD units.
***Produced by Nissan Motor Iberia, Spain
Source: Automotive Industry Data (AID) and industry sources.

with the general boom in the European motor industry to the point where some van makers have had problems meeting demand this year.

Ford has established its lead since the launch of its new Transit van in 1986, and last year succeeded in ousting the long-time industry leader, Volkswagen's ageing Transporter, from the number one position.

The West German group is not sitting idly by, however, and an all-new Transporter is expected to be ready for launch by the end of 1989 or early 1990, and will certainly be well entrenched by the time Fiat and Peugeot are ready with a new plant and a new product range.

According to figures published by Automotive Industry Data, the UK-based automotive industry analysts, production of the the Ford Transit last year from the company's two plants in Southampton in the UK and Genk in Belgium jumped by 15 per cent to 130,576. Ford's share of a total European output of around 606,000 rose to 21.5 per cent.

At the same time VW's Transporter accounted for 18.9 per cent of West European medium van production or 114,000 units, a decline of 6.5 per cent, while Fiat and Peugeot's Sevel joint venture was closing fast.

Sevel production, which is marketed under various badges – the Fiat Ducato, Peugeot J5, Citroen C25 and Talbot Express – climbed by 15.3 per cent to 104,000 units, increasing its share to 17.2 per cent. By joining forces Fiat and Peugeot have opened a yawning gap ahead of other challengers, the Renault Trafic and the Mercedes-Benz Bremen range, which enjoy barely half the volumes.

The Sevel (European light commercial vehicle company) joint venture first emerged in the late 1970s when both Fiat and Peugeot lacked modern, competitive purpose-built vans to secure a strong presence in the European light commercial vehicle market. Both lacked the financial resources they enjoy today, and decided that a joint venture was the only way to manage the heavy investment required to develop a new van range.

The announcement this week that Fiat and Peugeot plan to double production from 500 units a day to 1,000 units a day by the mid-1990s still represents a big addition to available capacity of around 100,000 units a year in a market estimated to have totalled only some 626,000 vehicles last year and perhaps 650,000 in 1988.

The move will provide unappetising food for thought for Europe's smaller van producers, not least DAF of the Netherlands, which last year took over the UK-based Freight Rover van operations from Rover Group. Freight Rover has long been conducting a fruitless search for a partner to share the financial burden of developing a new van for the early 1990s to replace its 18-year-old Sherpa range.

The Fiat/Peugeot move has now clearly raised the stakes for the 1990s, while at the same time Japanese producers are finding increasing ways to establish production within Europe.

Come 1992, the pressure from Japanese van makers to win a greater slice of the European commercial vehicles market can only grow. Peugeot and Fiat, at least, are signalling that they intend to be prepared for the fight.

Unions boycott Gonzalez talks

SPANISH Prime Minister Felipe Gonzalez opened talks yesterday on union demands that led to a general strike last week – but the unions stayed away, Reuter reports from Madrid.

The two main unions, the socialist General Workers Union (UGT) and the communist Workers Commissions (CCOO) had said they would boycott the talks if employers attended.

So Mr Gonzalez had a 90-minute tete-a-tete with the head of the Employers Confederation, Mr Jose Maria Cuevas, who later called unions arrogant and said the situation was deadlocked.

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WORLD TRADE NEWS

Canberra relaunches free farm trade campaign

Australia's Trade Minister talks to **Chris Sherwell** about a strategy to force US and EC concessions

AUSTRALIA, disappointed by the near-failure of key talks in Montreal earlier this month, is pessimistic about the chances of a breakthrough by April in the Uruguay Round of multilateral negotiations on the General Agreement on Tariffs and Trade (Gatt).

Mr Michael Duffy, Canberra's Minister for Trade Negotiations, said in an interview that Australia, together with its partners in the 13-nation Cairns Group of agricultural free-traders, would renew a campaign to bridge the gap which persisted between the US and the EC.

Among other things:

- Mr Bob Hawke, the Prime Minister, is likely to become further involved, making contact with "all the relevant leaders" to spell out again the consequences of failure in the Uruguay Round.
- Mr Duffy expects to visit both the US and Europe in February or March, to meet members of the new administration in Washington, the new European Commissioners in Brussels and key ministers among European governments.
- The Cairns Group, which embraces agricultural producers in Asia and Latin America as well as Canada, Australia and New Zealand, will gather in New Zealand before April to refine its position.
- Australia is "actively exploring" proposals for Pacific regional economic co-operation which would reinforce the chances of a multilateral approach to trade liberalisation and expansion.

The Montreal review of progress in the Uruguay Round ended up "freezing" the talks until April with no formal agreement on any of the major issues. According to Mr Duffy, the differences of principle between the US and the EC on agriculture remain so fundamental that they will not be solved by playing with the wording of drafts.

"It is beyond the wit of anyone to compose words which, to one side mean 'eliminate' and to the other 'substantially reduce'," he said of the central issue of trade-distorting farm subsidies.

"While the US maintains elimination as a precondition for negotiation, we won't go anywhere. And while the Community continues not to produce policy-specific measures, we won't go anywhere either."

Michael Duffy: believes both sides must give ground

If the two sides don't shift, he says, developing countries – in particular those Latin American countries which have separate debt problems with the US and Europe – would continue to prevent progress on other issues of major concern to the US and the Community.

According to Mr Duffy, neither the US nor the EC fully appreciated in Montreal that these countries felt strongly enough over agriculture to hold up progress in such important areas as trade in counterfeit goods and trade in services.

Australia itself would suffer losses from a lack of agreement in *both these* areas, he said, but it had joined the Cairns Group in backing the Latin American countries because they all shared a common and over-riding interest in freer agricultural trade.

In his view, persistence with this weapon offers one additional way of encouraging a change. But he says the real possibilities of progress in the Uruguay Round lie with the people of the US and the EC who suffer most from the present lack of agreement.

Specifically, these people are ordinary consumers forced to pay unnecessarily high prices for food because powerful farm lobbies win extravagant output subsidies. They are also the producers of technology, software or entertainment losing billions of dollars because their products are counterfeited in countries like South Korea, Taiwan or Singapore.

In another attempt to encourage progress, these views are likely to be promoted in the US and Europe by lobby groups from other countries, including Australia. Such a move won't be new – Australia has previously drawn European consumers' attention to the costly absurdities of the Common Agricultural Policy.

It is against the background of this longer view that Canberra believes the Cairns Group's chances of promoting a breakthrough on farm trade reform as soon as April, and so saving the Uruguay Round from disaster, are remote. "How can you expect officials to reach a solution when the ministers themselves lack the political will?" Mr Duffy asks rhetorically.

That, too, is why Australia responded positively last week to the suggestion from Bill Bradley, the US Democratic Senator, who called for a Pacific version of the powerful Group of Seven which would include the US, Japan, Canada, Australia, Mexico, South Korea, Indonesia and Thailand.

Senator Bradley said the group should build consensus on trade issues to reinforce the Uruguay Round, co-ordinate economic policy among Pacific Rim countries and remove obstacles to the growth of developing countries.

In openly welcoming the idea, Australia insists it does not mean backing for some sort of trading bloc. The proposal is for regional co-operation, Canberra points out, and in trade the multilateral solution remains its preferred option.

But there is no mistaking the growing concern Down Under at the inflexible hard-line stance adopted by the US and the EC countries. The Montreal review, Mr Duffy says, managed to secure a "draw," and to avoid an ignominious defeat.

"Now we've got another innings. But both sides have got to give ground. Otherwise," he says, "we're staring down the barrel of a collapse of the multilateral system. Then we won't have any socks to pull up."

UK banks in fresh finance deals with Moscow

By Peter Montagnon, World Trade Editor

MIDLAND and National Westminster Banks yesterday became the latest British banks to announce that they had reached fresh bilateral agreements on trade finance with the Soviet Bank for Foreign Economic Affairs.

Their announcement in a week which has seen a spate of such deals means that all seven institutions which had earlier been talking with Moscow about a £1bn trade credit have now relinquished this approach in favour of the bilateral route.

Midland said its deal involves a renewal on revised terms of the £250m protocol it signed with Moscow in early 1987. National Westminster is making similar arrangements with a similar £250m protocol.

A feature of the deals - as with others which have surfaced this week - is that they incorporate market rates of interest and a much broader range of currency options than has been the case in the past.

All are also direct arrangements with the Bank for Foreign Economic Affairs which means they cannot be used to provide credit to the growing number of Soviet organisations which have independent foreign trading privileges.

This decentralisation of Soviet trade is likely to complicate trade financing in future since it will raise new questions about the relative credit standing of individual Soviet entities, but the problem does not arise with the Bank for Foreign Economic Affairs, with which British banks have been dealing for many years.

Merry Christmas from the Magyars

Vienna gains from a Hungarian spending spree, says **Judy Dempsey**

VIENNESE SHOPKEEPERS are set to make their biggest profits for years, thanks to an invasion of Hungarians.

For the past several months, hoards of Magyars have been crossing the trouble-free border between Hungary and Austria and spending their precious hard currency in one of Europe's most expensive cities.

The Ibusz buses, packed with young and old Hungarians, wind their way across the Burgenland in eastern Austria and stop at the foot of Mariahilferstrasse, the equivalent of London's Oxford Street. Indeed, Viennese traders now call the street "Magyarhilferstrasse" and it is easy to see why.

Instead of the normal German-language signs, advertising hi-fi, electronic and radio equipment, traders have caught on to the fact that they can persuade their parents, many of whom speak Hungarian, to stand behind the counters or give their children a crash course in commercial Hungarian. The old ancestral language is going through a minor revival.

Overnight, German-language signs have been replaced with "Beszeljunk Magyarul" - we speak Hungarian. Even the red, white and green Hungarian flag flutters alongside the Austrian red-white-and-red flag.

The Wiener Handelskammer, the association for Viennese traders, reckons that each Hungarian, on average, spends Sch4,000 (£177). This could significantly increase the annual turnover for the traders which in 1987 exceeded Sch100bn. Mr Gunther Templ, of Wiener Handelskammer says that in the first eleven months of 1988, Hungarians have already spent Sch4bn in Vienna.

The reason for this massive influx of nearly 1m Magyars - many of whom come across in their little two-stroke Trabant East German-made cars which splutter along the roads like contrary lawnmowers, stems from a radical reform of the passport system in Hungary introduced on January 1 this year.

Under the new law, all Hungarians can obtain a passport and retain it. They no longer have to hand it back to the local police. The passport office of the Austrian embassy in Budapest has for months been inundated with Hungarians starving for travel and shopping.

The Hungarian authorities reported that by September, over 1.7m of its citizens had received their new passports.

> The reason for this massive influx of nearly 1m Magyars - many of whom come across in their little two-stroke Trabant East German made cars which splutter along the roads like contrary lawn-mowers, stems from a radical reform of the passport system in Hungary introduced on January 1, 1988. Under the new law, all Hungarians can obtain a passport and retain it.

The only drawback with these regulations is that the Hungarians need hard currency to travel. They can go abroad as often as they like provided they have Forints 3,000 in hard currency. That's about £32, which would hardly pay for one night's accommodation in Vienna.

And for those who don't have access to hard-currency, each Hungarian can obtain Forints 19,000 from the state, but spread over a three-year period. So travel depends on access to "real" money.

In the spirit of true Magyar ingenuity, many Hungarians supplement their meagre state allowance by bringing ageing grandmothers to Vienna. Since the patient grandmother hasn't the slightest interest in shopping, she remains quietly in the bus while her grandchildren spend her hard currency allowance.

There's another way of accumulating hard currency, apart from the black market.

According to the Wiener Handelskammer, 27 per cent of all Hungarians visiting the Austrian capital buy video recorders, while 23 per cent buy hi-fi, 7 per cent television sets and 10 per cent personal computers.

But don't think for a moment that these purchases are for the Hungarians' own personal use.

"I sell them back home," says Janos, who has made his third trip to Vienna in less than six months. And, of course, he sells his goods for hard currency.

The Hungarian authorities were apparently well aware of what was taking place. In March the Ministry of Trade in Budapest prohibited the resale either to state or private enterprises of imported goods worth more than Forints 25,000 – about $500, and expected the border guard authorities thoroughly to check the receipts of Hungarians returning home from their shopping trips.

What the authorities feared was that the official rate for the forint would be weakened and Hungarian private entrepreneurs would be "cleaning up" by selling their Western technology goods on the black market, thus widening even further the income differentials among the population.

Meanwhile in Austria some Viennese traders thought the new regulations would damage business.

"No way," says Laszlo, who runs a small computer and hi-fi shop in Magyarhilferstrasse.

"Look, there's an insatiable demand for all sorts of electronic goods in Budapest. OK, the border guards look at the receipts to make sure they don't exceed 25,000 forints. Given we are all in the same business, who says we don't issue receipts to the Hungarians which are far below the real value. We also wrap the parts of a personal computer separately so that it can be taken out at different times or distributed among the car passengers."

Back in Hungary, the Ministry of Trade knew it was onto a loser. So last October, it lifted the restrictions on private imports of goods for resale. The Hungarian way of doing things – which amounts to beating the system – made it impossible to enforce this legislation.

So now everybody is happy. The Viennese trader is pulling in the hard currency. The Hungarian is reselling the goods back home.

The only ones who complain are those Austrians going off to Budapest for their weekend shopping trips to get their hair done or their teeth checked. They now have to wait hours on the border while the guards check the receipts. Such is the price for free trade between Austria and Hungary.

Finnish exports set to fall

By Olli Virtanen in Helsinki

FINLAND'S TRADE with the Soviet Union will take yet another turn for the worse next year. According to the trade protocol signed in Helsinki this week Finland's exports to Moscow in 1989 may decline by as much as 24 per cent.

Finland's exports to the Soviet Union are expected to total FM10.6bn ($2.6bn) in 1989 while Soviet exports to Finland will amount to FM12bn, including FM1.6bn in debt payments to reduce Finland's trade surplus with Moscow.

The two countries continue to adhere to the bilateral trade principle, but it will be made more flexible. Hard currencies may be used outside the bilateral agreement to pay for services from now on, although Finns are sceptical about how much individual Soviet companies are willing to use their scarce foreign currency reserves for Finnish goods.

To alleviate the sharp trade imbalance further Finland's Export Credit Bank granted a FM1.7bn credit to the Soviet Union to be used to buy Finnish machinery, vessels and construction projects.

This follows a similar credit of FM2.1bn to Moscow in September. The loans will mature between 1993 and 1997 and will be paid back within the bilateral trade framework. Half of Finland's exports next year will consist of metal and engineering sector products including FM2.6bn ($630m) worth of vessels.

This will be a major relief for the country's ailing shipbuilding industry which traditionally sells two thirds of its output to the Soviet Union but has not received any new orders from that country for almost two years.

Oil products will continue to dominate Soviet exports to Finland. They include 8.5m tonnes of crude worth FM3.7bn at today's prices, although the actual purchase price is set on a monthly basis.

The problems that have plagued bilateral trade for almost five years have been due to the sharp decline in the value of Soviet oil exports to Finland. This resulted in a huge trade imbalance in Finland's favour, peaking at FM5bn.

During the past twelve months the two sides have deliberately reduced the figure by stopping most Finnish exports and trying to find new imports from the Soviet Union, an effort which has yet to make a significant impact.

AMERICAN NEWS

Anthony Harris concludes the series on the Reagan legacy with an analysis of the President's economic record

The retreat from Reaganomics

Verdict before evidence, as the Red Queen told Alice; it seems appropriate for a President who has practised the economics of Wonderland. Reaganomics has been condemned by some of its own leading practitioners. Mr David Stockman, the first Reagan budget director – he of the revealing breakfast interviews at the Hay-Adams hotel – has written of "the revolution that failed". Mr Murray Weidenbaum, his first chief economic adviser, has written a kinder book, but its title, Rendezvous with Reality, says more than many pages of carefully balanced text.

The committed, then, are disappointed; an uncommitted foreigner can be a little kinder. The President may go down in economic history as a man who made a success of failure. He has broken nearly all the promises he brought to office – smaller government, higher savings and investment, steady monetary policy and, above all, balanced budgets. Yet when he was asked, at one of his recent farewell appearances, what had made him happiest in his eight years in office, he said: "The performance of the economy."

He is retiring as the US expansion (which followed the deflationary recession of 1981-2) is going into its sixth year, with every sign of staying. He is surely entitled to feel happy about that, and he might also have celebrated that fact that most of the world is following his example of tax reform. Nobody felt inclined to ask him how he felt about some of his other legacies – the deficits, the collapse of private thrift, the turmoil in the banking and savings industries, the increase in poverty and homelessness and the widespread fear that the US is losing the competitive race.

All this might be forgiven if the result were good enough. Economies respond only slowly to radically new incentives, and the Reagan programme has itself changed radically between his two terms in office. On the evidence, however, it is still very hard to decide how good the economic performance has been, let alone whether it will justify its heavy financial cost.

The experience of Reaganomics has undoubtedly made the majority of Americans feel good, and this is worthwhile in its own right; but how far are these feelings supported by the facts? Anyone trying to measure the effect of Mr Reagan on output and employment would need a magnifying glass. Until the end of 1987 there was almost nothing to measure. The growth rate, as shown in the official figures, was almost exactly the same in the first seven years of Mr Reagan's presidency as in the four years of Mr Carter's.

The figures may in any case be too flattering: academic critics, and indeed the Federal Reserve, have questioned the official output figures, and the Department of Commerce has confessed that its treatment of computers does tend to exaggerate. Growth has probably slowed a little. Job creation has certainly slowed, from about 2.2 per cent annually in the Carter years to about 1.9 per cent; this probably has more to do with the baby boom than with government policies. In spite of this slight labour constraint, productivity is also roughly in line with its long-term trend. Since most other developed economies have fallen well below their previous growth trends, this can still be counted as a creditable record – but only mildly creditable. The long-term US trend of about 2.6 per cent annual growth is not impressive.

In two respects, it is true, the Reagan expansion is abnormal: it is lasting longer than a normal business cycle, and it has been driven almost entirely by profits rather than personal incomes. Keynesians will claim that it is the unintended deficit which is driving the expansion; supply-siders that it is the incentive effects of low tax rates; the economics profession will make up its mind in the next few years.

They will also study US wage behaviour; why have claims remained so modest years after the initial shock of recession and the President's symbolic sacking of the air traffic controllers? The answer probably has more to do with US employment practices, which make lay-offs easy, and with the wave of takeovers, than with government policy. Whatever the answer, Mrs Thatcher, and others who run economies prone to cost inflation, would love to know the details.

It is not only trade unions whose behaviour has changed; business management is also much sharper than before. Exposure to foreign competition and hostile raiders has worked wonders. Indeed, this realism on both sides of industry may prove among the most important of the legacies Mr Reagan will hand on. The irony is that it has been the gift of an inconsistent Government which has appeared at times competely out of touch with reality.

This shaky performance should have been expected, because Reaganomics was never a coherent doctrine, it was an improvisation thrown together during the 1980 primaries. Mr Reagan suffered a humiliating setback in the Iowa caucuses and had to find a theme. His staff stitched together a patchwork of the radical tax reforms proposed by Congressman Jack Kemp (a major rival for the nomination), the wishful thinking about revenues and growth of the Laffer Curve, a dash of monetarism, and three Carter themes: deregulation, higher arms spending, and hostility to Washington bureaucracy. Eight years later Mr Bush faced exactly the same problem, and found much of the same answer – "*Déjà voodoo*", as he has wittily admitted.

There were some dangerous internal contradictions in this programme. The President wished to pressure Congress into cutting spending by cutting taxes first (his personal programme has always been as much political as economic). The Laffer cake-eating promise that tax cuts would produce higher revenues through a sudden leap in growth made the cuts seem less urgent.

Worse, the budget projections which made the programme mildly plausible were based not on the Reagan price pledges, but on Congressional projections which included high inflation. Mr Paul Volcker had not yet proved that a monetary squeeze would reduce inflation faster than even the monetarists had hoped. The fact that the academic monetarists in the Administration, led by Mr Beryl Sprinkel, were at war with some of Mr Volcker's detailed practices meant that the credibility which might have made up for the loss in revenue took some years to establish.

The more enthusiastic Reaganants still try to blame Mr Volcker not only for the recession of 1981-2, and the stock market fall which presaged it, but for the whole sequence of budget deficits. The recession and the unforecast fall in inflation sapped revenue, they argue, and opened a gap which it is taking years to close. While it is true that an unindexed tax system can dig traps of this kind so far as inflation is concerned, real growth, as we have seen, has been fully up to trend. In any case, the same apologists like to claim that the Reagan experience has borne out the Laffer Curve, since the rich contribute more to the revenue at low rates than they used to under high ones. Having it both ways is something of a mark of Reagan apologetics.

The fact is that the wounds were self-inflicted. It is easy, so long after the event, to forget just how awful the first Reagan budgets were. The revenue estimates were based on quite implausible growth projections, and the spending plans introduced something new to the fiscal armoury – the asterisk, marking spending cuts as yet unspecified. This detail was brought back to memory by Herbert Stein's splendid account in his book, Presidential Economics. Mr Stein was chief adviser to President Nixon and a member of President Reagan's Economic Policy Advisory Board, and so is hardly a hostile witness. He summed up the effect of these budgets in one sentence: they robbed US fiscal policy of any rationale.

They were faulty as incentive packages, too. The tax breaks for personal saving diverted enormous sums into individual retirement accounts (IRAs), but did not prevent a fall in gross saving. The high investment incentives for corporations also proved diversionary. Recession, and the subsequent rise in the dollar to absurd heights, cut industrial investment sharply.

The hole was filled by a boom in real estate development, financed largely by deregulated savings and loans, which were desperate for new business to cover their running losses on old fixed-rate mortgages. Their losses on this second round of business are still being totted up. It is worth adding, though, that there have been some economic benefits. Rents remain low, and the over-ambitious building of shopping centres has maintained ferocious competition; as the most recent figures confirm, the consequent erosion of retail margins is still quite a strong brake on inflation.

The main anti-inflationary thrust came from the enormous rise in the dollar up to 1985. This was not planned, and remains a fruitful puzzle for academic seminars. The official explanation was that Mr Reagan had inspired an insatiable world demand for dollar assets: this pushed up the dollar, and dragged trade into deficit. Monetary economists are divided between those who blame Mr Volcker for creating a worldwide dollar famine, and those who blame an irrational bull market. Distinguishing between cause and effect remains one of the most difficult (and least acknowledged) problems in economics.

Whatever the explanations, the dollar chart marks the clearest watershed between the President's two terms. By the beginning of 1985 American industry had won a hearing: it had to have protection or a more realistic exchange rate. The currency market turn in February was covertly encouraged by the Federal Reserve, and later sanctified and reinforced by the long series of agreements in the Group of Seven. Market forces in the foreign exchanges were overridden to protect what was left of a free market in goods: Mr Reagan had at length admitted that even a simple-mided creed can involve dilemmas.

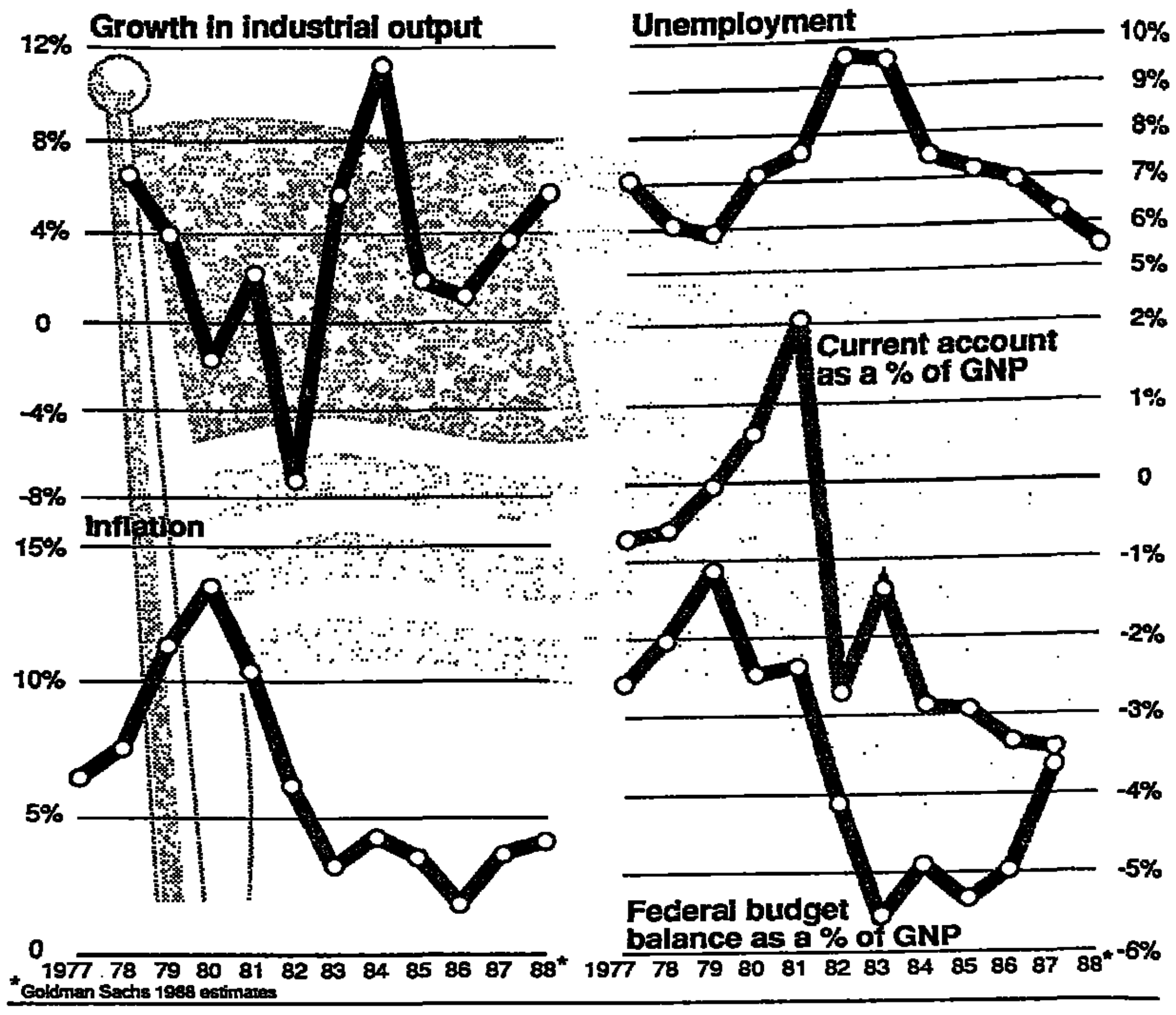
The fact that this change, and the equally radical overhaul of tax policy followed the job swap between Mr Donald Regan and Mr James Baker has devalued Mr Regan's reputation and enhanced Mr Baker's. This is almost certainly unfair: the tax reform study was initiated by Mr Regan (and the plan was initially opposed by Mr Baker). No Treasury Secretary could have ignored the industrial crisis; and even if he had, the Fed was initially in control. The serious drive to restore fiscal discipline also belongs to the second term; here much of the credit should go to Congress.

The result is that the retreat from Reaganomics in the second term has brought far more economic progress for the country (and honour for the President) than the bold experiments of the first term. Tax reform and monetary co-operation are perhaps the best of the Reagan legacy. They can be described as triumphs, because both were regarded as impossible when they were proposed: the special interests in Congress would never stomach tax reform, while the currency markets would treat official exchange rate objectives as a provocation.

Mr Reagan, then, has abandoned his agenda and apparently lost his political battle; in his final domestic speech, he deplored the continuing dominance of the Congress. But if Congress is not tamed, it is sobered. The private sector has achieved no growth miracles yet, but is far more confident and far less complacent than when he took office (the contradiction here is only apparent). It remains to be seen whether this state of mind will survive.

Mr Bush has a mixed inheritance: the economy is strong, but there are some very large bills to pay. However, he has two advantages which Mr Reagan did not enjoy. Unlike his leader, who came to Washington as an outsider, he will not have to learn his trade on the job. Most important, he will have the support of what is now a consensus in favour of pragmatic conservatism. This is the real Reagan political achievement, and should help to solve the problems the President failed to tackle, and even the rather large ones he created.

Earlier articles in this series appeared on December 12 (domestic politics) and December 20 (foreign policy and defence).



*Goldman Sachs 1988 estimates

Congress and SEC to investigate buy-outs

By Anthony Harris in Washington

BOTH the US Congress and the Securities and Exchange Commissions plan to investigate the economic implications of leveraged buy-outs, it was disclosed in hearings yesterday.

Yesterday's hearings, in which Mr David Ruder, SEC chairman, gave evidence to the finance sub-committee of the House committee on energy and commerce, was concerned entirely with disclosure and conflict of interest questions, but it became clear that their scope will widen.

Mr Ruder told the sub-committee that SEC staff would gather data on LBOs in order to make a full assessment of any economic policy implications. He had given detailed testimony on what he called the "inherent conflict of interest" which arose in management buy-outs, and the danger that management could exploit its advantage in terms of inside information.

The House committee will urge the SEC to bring in tighter rules governing the "fairness statement" which is sent to shareholders, reporting on the price they are being offered. Mr Edward Markey, chairman of the sub-committee, said that at present these statements were drafted by banks, which are offered a fee incentive if the deal goes through. The rules should require a "hands-off" assessment by a bank with no interest in the outcome of the offer.

While the SEC is concerned with this and other disclosure issues, he said, it was also monitoring State legislation which in some states has been devised to hamper buy-outs and takeovers.

The Republican members of the committee were also concerned that new rules might prove excessively restrictive. Representative Norman Lent said that while investors and the public must be protected from abuses, "I think that those who want to throw a monkey wrench into the operations of the free market have the burden of proof."

He argued that LBOs reinvigorate large corporations that may have grown sluggish, and may already be the most intensely regulated transactions in the US system.

The purpose of the hearing is to fix the Congressional appropriation for the SEC's operating budget.

Sally Army struggles to supply US Christmas cheer

Increased demand and competition for donations present a difficult challenge, reports Nancy Dunne

DESPITE the frantic last minute Christmas shopping in the Columbia, Maryland, mall – the elegant glass-domed building which serves as the city's town centre – charitable giving is by no means forgotten.

Underneath the huge Christmas tree, formed by 1,200 live poinsettias and among the Santa Clauses, all of whom have real beards, a Salvation Army kettle is stationed and shoppers stop frequently to unload their change.

Miss Susie Floyd, a Sally Army "soldier" for the past five Christmas seasons, rings her Christmas bell during the entire nine hours she stays on duty. A sales clerk nearby, Mrs Cheryl Baird, watches the action and says it wouldn't be Christmas without the Salvation Army – bell ringing and all.

There are, however, many who disagree. Increasingly, the Salvation Army is getting edged out of lavish US malls, where the uniforms do not quite match the decor.

"They tell us that if they let us in, they have to let everyone else in," says Colonel Raymond Cooper, commander of the Maryland and West Virginia region. At least two of the malls in the wealthiest Maryland suburbs have locked the "Army" out, and others permit stations only outside in the cold, where shoppers are less inclined to stop.

Some malls have forbidden use of the bells on the grounds of noise pollution and say it obscures the piped-in Christmas carols. In some regions, "soldiers" have substituted the familiar bells – once a traditional harbinger of the holidays – with cardboard signs lettered, somewhat bitterly, "ding dong."

The loss of its prime mall locations is placing the Salvation Army under increased financial pressure in this season of giving. Despite five years of economic recovery and a comparatively modest 5.4 per cent unemployment rate, most estimates show the number of poor and homeless still mounting.

The Army hopes to raise $110m during the Christmas season and $900m throughout the year. Nationally, collections are running about 2 per cent ahead of last year. But costs have risen about 20 per cent spurred by the needs of even the working poor, who cannot always afford to provide Christmas for their children.

As it was at its birth in 1865 in England, the Salvation Army in the US is still a church with a military structure, which set out to wage an earlier war against poverty. While religious services are still conducted, salvation is no longer pushed on a reluctant clientele.

The soldiers and their 3,560 American officers have put aside their tambourines to run a vast array of services including shelters, feeding programmes, addiction rehabilitation centres, the most successful missing people's bureau in the country, prison release programmes, child care centres, old age centres, and disaster relief efforts.

New York Christmas: A down-and-out in Manhattan sleeps on a stone bench, beneath a huge seasonal wreath

With a fervour imbued with intense practicality, the Army has had to devise new techniques to compete for increasingly stretched donor dollars. The bulk of its money is now raised through the direct mail campaigns because, says Col Leon Farraez, the national spokesman, "most people are anxious about accountability." That gives them receipts they can charge against their tax bills.

To compensate for declining kettle donations, the church has launched a "Red Kettle Club" for benefactors who sign up to give on a monthly basis. In some regions, local celebrities plead for donations on public service television.

At a parking lot in the shadow of the US Capitol, Mr Mike Norris, general manager of the Salvation Army's Adult Rehabilitation Centre, this week raised $5,000 at a weekly auto auction. Donors are generous with old cars, particularly after the holiday, he says, and they often get a tax deduction equal to the car's listed value.

A former banker and a fifth generation Salvation Army volunteer, Mr Norris sees his mission as "turning everything into dollars." But it is a long way from his boyhood in North Carolina, when farmers made donations in the form of tobacco, which was packed by the Salvation Army and sold.

Now, he supervises an extensive operation which supports a 105-bed addictions centre offering therapy, food, clothing, a small weekly allowance and Alcoholics Anonymous. The "recovering" addicts work in the centre, trucking in donated clothing, toys and furniture; making repairs, and selling the products.

Clothing not purchased by the American poor is baled and shipped to Mexico for $5,000 per 40,000 tonnes. Furniture not fixable is auctioned.

While adapting its fundraising to current day realities, the Salvation Army has also had to adjust to changes among the poor it serves, according to Col Cooper. The insistence among recipients on their "right to dignity" has created a sensitised but cautious gift-giving process.

In Baltimore, regular clients of the Army's social services division may sign up for new Christmas toys, food or clothing. The application goes through a computer check comparison with other welfare agencies to screen out "con artists."

Recipients are assigned times and days to pick up their presents. Gift certificates are awarded for clothing and food (complaints were received about the food baskets of the past for having "wrong" food selections). Toys, once handed out to all comers in bundles, are now displayed on shelves as in toy stores. The beneficiaries are escorted through the centre and allowed to pick two items for each child.

On Christmas day, the Baltimore Army issues tickets for dinner in the hope of keeping order. But in the end, many hungry families show up ticketless.

Col Cooper expresses annoyance that families fail to plan their Christmas dinners in advance. "But we never turn anyone away," he says.

Sullivan set to be US Health Secretary

By Nancy Dunne in Washington

US President-elect Mr George Bush was yesterday expected to name Dr Louis Sullivan, president of a Georgia medical school, as Secretary of Health and Human Services. He will be the first black to join the new cabinet.

Mr Bush was said to be ready to choose Dr Sullivan, described as a close friend, in spite of opposition from right-wing Republicans, because Dr Sullivan supports a woman's right to abortion under some circumstances.

Dr Sullivan, president of the Morehouse School of Medicine in Atlanta, has promised to choose strongly anti-abortion officials for high-level jobs in the department. A political independent, he has said he favours abortion in cases of rape, incest or when a mother's life is endangered, but he opposed federal financing of abortions, except in life-threatening cases.

This is much too liberal for many anti-abortion groups. They also have concerns about issues like the use of foetal tissue in research, which could fall within the jurisdiction of the department chief.

Peru guerrillas target cities

By Veronica Baruffati in Lima

SENDERO Luminoso, Peru's Maoist guerrilla group, is making it increasingly clear that it wants to cut the country's cities off from their power supplies and from the agricultural hinterland.

Forty-two power lines along the Andes have been blown up in the last two months, leaving most of the country without electricity and water for days. Water and electricity are still being rationed in parts of Lima.

At the end of last month, the group destroyed four of the country's biggest dairy producing centres in the Cahuide complex, causing millions of dollars worth of damage.

Two French aid workers were murdered by Sendero Luminoso in an attack on a small agricultural development project. The list is endless.

Despite five years of military intervention, Sendero Luminoso has managed not only to maintain its influence in areas where it began activities nine years ago, but has extended it to 21 of Peru's 24 departments.

It has diversified activities from assassinating authorities, "executing" mayors and peasants, blowing up electricity pylons and placing bombs in public buildings to wreaking havoc with the agricultural sector.

Several international volunteer groups have recalled their volunteers from the field and are instructing them to stay in the main cities until further notice.

The UN has done the same. UN workers in Peru are being recommended to leave their families in their home bases and return to Peru alone.

Sendero Luminoso's presence is most markedly felt in Ayacucho, Apurimac, Huancavelica and Alto Huallaga. A three-day strike called for by Sendero Luminoso in Ayacucho was a complete success last month.

This week, the group called for a five-day strike in Huancayo. On the first day, most establishments did not dare open their doors. On Wednesday, Mr Armando Villanueva Del Campo, the Prime Minister and Mr Luis Pinillos, Health Minister, flew to Huancayo, where they walked through the streets urging people to ignore the call for the strike.

"You should not feel intimidated by a few rumours of threats. We ministers are also threatened but we are out walking through the streets. . . don't be afraid of genocidal terrorism, we have to join forces and eradicate it," the Prime Minister said.

Brazilian port workers ready to end strike

UNION officials said the Brazilian port strike, now in its 10th day, was expected to end last night, Reuter reports from Rio de Janeiro.

The union recommended acceptance of a government offer of a 10 per cent pay rise on January 1 as part of a pay review to be completed by June and no punishment or pay deductions for strikers. The union had demanded a 38 per cent pay rise backdated to November 1. The offer was to be put to a general union meeting last night.

A spokesman for the state port authority said workers in Espirito Santo state, including the coffee port of Vitoria, and in Rio Grande do Sul, had returned to work, but others, including those at the main Santos port, were still out.

Coffee prices fall, Page 24

Mexican Finance Minister to take tough line on debt

By Henry Tricks in Mexico City

MR Pedro Aspe, Mexico's Finance Minister, flew to Washington yesterday for talks on the country's $100bn debt, but the tougher stance that he is expected to take has not quietened opposition parties at home.

Twice this week President Carlos Salinas de Gortari's economic strategy – tied closer than ever to a successful renegotiation of the debt – came under extended fire in the Chamber of Deputies from opposition legislators of all political persuasions. They argued that the 1989 budget proposals pander to the interests of foreign bankers.

Mr Aspe will meet Mr Nicholas Brady, US Treasury Secretary, Mr Barber Conable, the World Bank president, and other financial leaders in Washington. Mexico is seeking up to $7.3bn in new loans this year and a restructuring of its $100bn foreign debt.

In a marathon session on Monday to defend last week's budget proposals, Mr Aspe urged "national unity" ahead of debt talks next year in order to achieve a firm renegotiation and $7bn in foreign credit. This, he said was vital to achieve a 1.5 per cent growth rate next year.

On Wednesday the 2.8 per cent cut in public spending revealed within the budget was attacked by legislators as a continuation of the economic austerity that has steered the country for six years – described by them as a "glaring failure" which has slashed the spending power of the labour force.

Durable goods orders beat expectations

By Our Foreign Staff

NEW factory orders for durable goods in the US rose a seasonally adjusted 0.1 per cent in November from the previous month to $122.89bn, the Commerce Department said yesterday.

This was significantly higher than market expectations. Excluding orders for defence capital goods, which fell 17.6 per cent last month after a steep increase the month before, overall new orders for durable goods rose 1.8 per cent last month, the department said.

New orders for non-defence capital goods, considered a barometer of future plant and equipment spending, rose 2.6 per cent in November.

October's figure for the increase in durable goods orders was revised up to 2.9 per cent. It was initially estimated at 2.4 per cent and then revised downward to 2.3 per cent.

Sharp exchanges mark signing of Angolan treaties

By Michael Holman, Africa Editor, in New York

ACRIMONIOUS exchanges at yesterday's formal signing of two treaties paving the way to Namibia's independence and the withdrawal of 50,000 Cuban troops from Angola underline the potential fragility of the US-sponsored peace plan for southern Africa.

Diplomats were taken aback by a forthright attack on US policy in the region delivered by Mr Isadoro Octavio Malmierca, Cuba's Foreign Minister. This was matched by an abrasive performance by Mr Pik Botha, South Africa's Foreign Minister, who poured scorn on the UN's involvement in Namibia over the past four decades and invited his Cuban colleague to take part in a public debate in which human rights in South Africa and Cuba would be compared.

Sitting stony-faced through the speeches, which included criticism of Washington's military support for Angola's rebel Unita movement from Mr Afonso dan Dunem, Angola's Foreign Minister, was Mr George Shultz, the US Secretary of State, and Mr Javier Perez de Cuellar, the UN Secretary General.

Mr Shultz then described yesterday's signing of the trilateral agreement linked to a second bilateral treaty for a 27-month phased withdrawal of 50,000 Cuban troops from Angola as a "moment for celebration".

From this point, however, old enmities began to surface.

Mr Van Dunem spoke of the two treaties as marking a "new era of peace and prosperity" for the region but he went on to call for an end to "foreign meddling" in Angola and a cessation of US support for Unita – though adding that Luanda would welcome the restoration of diplomatic links with Washington.

Mr Malmierca next took the stand with a forthright defence of Cuba's role in Angola, which dates back to 1975, and condemned "racist South Africa's destabilising" activities in the region, and described President Reagan's recent condemnation of Cuba's military involvement in Angola as an "affront".

It was then Mr Botha's turn. The South African Foreign Minister ridiculed the UN record in the region, sponsoring a "proliferation" of bodies involved in Namibia costing at least $1bn over the years, and implying that it was money wasted. He then challenged a clearly irritated Cuban delegation to take part in a debate on civil rights and press freedom in their respective countries.

Shevardnadze hints at SE Asia base pullout

By Richard Gourlay in Manila

MR Eduard Shevardnadze, the Soviet Foreign Minister, hinted at the prospect of unilateral withdrawal from military facilities at Cam Ranh Bay in Vietnam, Moscow's main ally in South-East Asia, according to Mr Raul Manglapus, the Philippine Foreign Minister.

Mr Shevardnadze was in the Philippines capital on a 24-hour visit for talks with President Corazon Aquino on trade and diplomatic links.

Mr Manglapus told reporters after two-and-a-half hours of talks with the Soviet Foreign Minister that Moscow was no longer interested in negotiating the co-ordinated removal of US military bases from the Philippines.

"Shevardnadze stressed that the Soviet Union was no longer seeking to negotiate with us on the bases," Mr Manglapus said.

"He thought that at some stage in the future, without waiting for any mutuality of withdrawal, the Soviet Union in conjunction with their Vietnamese friends may unilaterally withdraw from Cam Ranh Bay," he said after Mr Shevardnadze left for North Korea.

In a clear reference to the large US bases in the Philippines, Mr Shevardnadze repeated a call for a regional zone of peace in which all military forces are kept within national boundaries. He announced he had called on the foreign ministers of eight Asian countries to meet soon to discuss how the zone could be negotiated. He also said Indonesian ships would be calling at Cam Ranh Bay.

In September Mr Mikhail Gorbachev, the Soviet President, said the Soviet Union would stop using Cam Ranh Bay if US troops left the bases in the Philippines, an offer the US dismissed out of hand.

Mr Shevardnadze said Moscow was interested in closer ties in Asia in order to develop trade and economic relations, a message Soviet officials have repeatedly stressed since Mr Gorbachev launched his Vladivostok initiative in 1986.

"We have absolutely no intention of trying to drive a wedge between the Philippines and its traditional allies," he said, referring to the US, which considers the country one of its most strategically important Asian allies.

On the surface the visit achieved little concrete apart from agreement to set up a commission to draw up an economic and technical co-operation pact and an undertaking to try to boost bilateral trade nearly five-fold next year to $200m.

Arens: Shamir loyalist

Hardline Arens has a tough task ahead

By Andrew Whitley in Jerusalem

THE appointment of Mr Moshe "Misha" Arens as Israel's Foreign Minister brings to the fore one of the most able, and one of the most hardline men in the right-wing Likud team.

Mr Arens, a 63-year-old aeronautics engineer turned politician, will need all his talents. Israel is in for a rough ride over the coming months, and the top priority will be to deal with Washington, where he served as ambassador during the crucial early stages of the Israeli invasion of Lebanon.

He was a firm supporter of the most extreme interpretation of the war's goals. Now he will once again be fighting the Palestine Liberation Organisation on the diplomatic front, with the difference that this time, six years later, the PLO has been brought in from the cold.

Much of his task will be to try and convince the incoming Bush Administration to abandon the US dialogue with a body most Israelis still insist is made up of recidivist terrorists – and to resist pressures to follow the US example. "We don't believe in encouraging terrorist organisations, because that means encouraging terrorism," was his tart statement yesterday.

Born in Lithuania, he has emigrated twice in his life to new homelands: as a teenager his family moved to the US where he spent his formative years; then, at the age of 33, he moved to Israel, soon after the birth of the state.

His fluent English still carries a strong American twang. More important for his political mentor, Prime Minister Yitzhak Shamir, Mr Arens is on the same wavelength as the Americans and intensely loyal to Mr Shamir himself.

In a recent interview with the Financial Times, his rapid-fire replies deviated not an inch from the party line set by his leader. Did Likud favour the "transfer" of Arabs in the occupied territories? "We're dead set against it. Dead set against the transfer of Jews, and of Arabs."

Did he support the calls from some within the Likud for the annexation of the West Bank? "It would not be consistent with Camp David to apply Israeli law to further areas," he replied. The 1978 accords may be dead and buried as far as the rest of the world is concerned, but Mr Arens sees no problem in disinterring them if it provides Israel with a semi-credible line of defence.

Called back from Washington in 1983, when Gen Ariel Sharon was forced to resign as Defence Minister over his conduct of the Lebanon War, Mr Arens took over that highly unpopular post for a little over a year.

As a former vice-president of state-run Israel Aircraft Industries, Mr Arens was also the most vocal defender of the costly Lavi combat aircraft, and he resigned briefly from the cabinet over the 1987 decision to scrap it before it went into production.

A member of the newly enlarged ministerial "inner sanctum", together with Mr Shamir, Mr Shimon Peres, the Labour leader, and Mr Yitzhak Rabin, the Defence Minister, his influence will be felt beyond the confines of his portfolio. Long viewed as the 73-year-old Likud leader's heir apparent, the quiet-spoken American-Israeli has taken another stride towards the top job.

Sudan's faltering steps to peace

Julian Ozanne assesses prospects for ending the five-year civil war

SUDAN'S parliament has finally taken its first tentative step towards approving a peace process launched over a month ago with the aim of resolving the five-year civil war raging in the country's southern region.

Amid signs of mounting tension and instability in the capital, Khartoum, the National Assembly this week backed a motion moved by Mr Sadiq el Mahdi, the prime minister, to call a national constitutional conference and to mandate him personally to deal with the peace process.

But after a marathon six-hour debate, parliamentarians stopped short of giving the peace pact an official government stamp of approval – a key condition laid down by the two sides which negotiated a deal last month in Addis Ababa – the rebel Sudan People's Liberation Movement and the Democratic Unionist Party, a leading member of Sudan's ruling coalition.

The agreement called for a constitutional conference to be held on December 31 to discuss the future of Sudan, particularly power-sharing arrangements for the country's southern ethnic and religious minorities and a more equitable distribution of wealth from northern to southern regions.

But it also laid down four conditions to be met before the constitutional conference could be held. These comprise: calling a ceasefire; lifting the state of emergency; postponing controversial moves to reintroduce fundamentalist Islamic sharia law; and abrogating military and defence pacts which violate Sudan's sovereignty.

Little progress has been made towards fulfilling these conditions and this latest snub to the DUP, which voted against the premier's motion, is set to further weaken Sudan's already fragile coalition and seriously calls into question whether there is sufficient political will and consensus in Khartoum to implement a peace initiative.

After Wednesday's debate a senior DUP member told a mass rally in the capital that all DUP ministers had handed in their resignations to Mr Mohamed al Mirghani, the party leader, in anticipation of moving into political opposition. The party was due to meet yesterday to take a formal decision on their position towards the government.

Parliament's hesitant attitude comes after a series of false starts and delays during a week which has seen the exposure of an attempted military coup by discontented right wing elements of the army and the imposition of a special state of emergency in Khartoum.

With only ten days to go before the constitutional conference is due to be convened there is growing impatience among the proponents of peace.

Colonel John Garang, leader of the SPLM, accused the Prime Minister earlier this week of dragging his feet. "It is 35 days since the peace agreement was signed and Sadiq's government has not gathered enough political will and courage to endorse it," he said in a rebel radio broadcast.

But prevarication in Khartoum marks a recognition by Mr el Mahdi and his Umma party that there is substantial opposition to the conditions of the peace pact from the third leading member of the the coalition, the National Islamic Front.

Even before the agreement was negotiated last month unidentified gunmen attacked the Khartoum home of Mr al Mirghani. And Mr Hassan el Tourabi, leader of the NIF and Sudan's Minister of Justice, has described the accord as a surrender to the SPLM and said his party will quit the government if a freeze on Islamic law is enforced.

But the NIF has been careful to reserve its position on withdrawal from the government and signalled its willingness to participate in a constitutional conference.

Mr el Mahdi, for his part, has been treading a cautious path.

He has been anxious to retain the political initiative of peace without surrendering ground either to the NIF or the DUP. He has personally welcomed the accord and praised the DUP's role in the negotiations but he has refused to bring the terms before the cabinet and so risk alienating the NIF. He remains concerned about some of the terms of the pact, particularly the issue of military and defence pacts.

Privately he suspects both the DUP and the NIF are using the issue of peace in the south as a political pawn to jockey for position within the government and country. Elections are due to be held next year and the DUP is anxious to be seen as the harbinger of peace. Their party is also pro-Egyptian and they are anxious to see close government links with Libya curbed.

The NIF for its part is well aware of the political benefits to be accrued among the nation's militant Moslem community from banging the drum of sharia law and opposing any deal with the non-Moslem south.

Recent mass demonstrations in Khartoum by students and trade unionists, traditionally areas of NIF influence, are of deep concern to Mr el Mahdi, who remembers that similar protests led to the fall of President Nimeiry in 1985.

But in trying to straddle the gap in positions, Mr el Mahdi may be unable to deliver the necessities required for peace negotiations. In so doing Sudan may miss the best opportunity it has had for peace in the last five years.

Politically there is growing body of support for a resolution to the civil war not only in the DUP but among senior Umma party figures including Mr Abdul-Maged Hamed Khalil, the influential Defence Minister. And peace may give Mr el Mahdi's premiership a new breath of life and a chance to salvage his governments record of economic mismanagement and inefficiency before the elections.

There is also a recognition that the SPLM is under unprecedented pressure from the Ethiopians, its major backer, who are anxious to cut their military expenditures and resolve their own civil wars in Tigray and Eritrea. Ethiopian rebels rely heavily on Port Sudan for food and medical supplies. Unofficially there has always been an acceptance in Khartoum and Addis Ababa that resolution of the civil wars in southern Sudan and northern Ethiopia are linked.

Last weekend Ethiopian Prime Minister Fikrie-Selassie visited Khartoum for talks with Mr el Mahdi and leaders of the three main Sudanese political parties. On his return home to Addis Ababa a joint Sudanese-Ethiopian communique was released which pledged the two sides to "work together to take all necessary measures against all elements which undermined the national unity, territorial integrity and political stability of the two countries."

Whether Mr el Mahdi can rise above the internecine feuding inherent in Sudanese politics, appease all the disparate elements of Sudanese politics and achieve a consensus on the peace process while still retaining the initiative remains debatable. But all sides realise that the opportunities for ending the conflict and starting the formidable task of reconstruction may not be as favourable again.

LIST OF ISRAELI MINISTERS

THE following is a list of Israel's national unity government submitted to parliament yesterday:

Prime Minister and Labour Minister	Yitzhak Shamir (Lik)
Vice Prime Minister and Minister of Finance	Shimon Peres (Lab)
Foreign Minister	Moshe Arens (Lik)
Defence Minister	Yitzhak Rabin (Lab)
Second Vice PM and Minister of Housing	David Levy (Lik)
Deputy PM and Minister of Education and Culture	Yitzhak Navon (Lab)
Transport Minister	Moshe Katzav (Lik)
Police Minister	Haim Bar-Lev (Lab)
Trade Minister	Ariel Sharon (Lik)
Energy Minister	Moshe Shahal (Lab)
Justice Minister	Dan Meridor (Lik)
Agriculture Minister	Avraham Katz-Oz (Lab)
Tourism Minister	Gideon Patt (Lik)
Health Minister	Yaacov Tsur (Lab)
Economics Planning Minister	Yitzhak Modai (Lik)
Communications Minister	Gad Yaacobi (Lab)
Interior Minister	Arie Der'i (Shas)
Immigration Minister	Yitzhak Peretz (Shas)
Religious Affairs Minister	vacant
Science Minister	Ezer Weizman (Lab)
Environmental Quality Minister	Ronni Milo (Lik)
Ministers Without Portfolio	Moshe Nissim (Lik)
	Ehud Olmert (Lik)
	Mordechai Gur (Lab)
	Rafi Edri (Lab)

PARTY AFFILIATIONS: Lik – Likud; Lab – Labour; Shas – Sephardi Torah Guardians

Syria and Egypt make moves of conciliation

By Victor Mallet

SYRIA and Egypt, estranged for more than a decade over Egypt's peace overtures to Israel, yesterday moved closer to a reconciliation after a flurry of diplomatic activity in the Arab world.

President Hosni Mubarak of Egypt, in an interview in the Saudi newspaper Asharq al-Awsat, said he would welcome a visit to Cairo by Mr Hafez al-Assad, the Syrian President. Mr Mubarak said there had been contacts between the two countries through King Hussein of Jordan.

Saudi Arabia also seems to have been acting as a mediator, amid increasing efforts to readmit Egypt to the Arab League and present a united Arab front to press for an international Middle East peace conference.

Mr Assad meanwhile made conciliatory remarks about Egypt, praising its importance in the Arab world and favouring the idea of Egypt-Syria co-operation, although Mr Mubarak said an Egyptian offer of a meeting between the two Presidents in Damascus was turned down by the Syrians.

Hardline Syria may be prepared to bow to moderate Arab demands in return for Arab attempts to restrain Iraqi interference in Lebanon, where Iraq has been supporting anti-Syrian Christian forces.

● Six Gulf Arab states pledged yesterday to work for lasting peace between Iran and Iraq through contacts with the international community and permanent members of the United Nations Security Council, Reuter reports from Bahrain.

The heads of state of the six Gulf Co-operation Council nations, including four Opec countries, also vowed to abide by an Opec oil output pact for the first half of next year.

In a communique at the end of a four-day summit, leaders of Saudi Arabia, the world's largest oil exporter, Kuwait, Qatar, the United Arab Emirates and non-Opec Bahrain and Oman urged co-operation among all oil producers.

Malaysia orders economic study

By Wong Sulong in Kuala Lumpur

THE Malaysian Government has announced the setting up of a multi-racial body to draw up a broad-based economic policy for the period beyond 1990. The programme, likely to be known as the National Economic Policy, will replace the controversial New Economic Policy (NEP) which has been the Government's blueprint for nearly 20 years.

Dr Mahathir Mohamad, the Prime Minister, in announcing the formation of the 110-member Economic Consultative Council, said the Government wanted all views to be represented in the formulation of the post-1990 policy, as promised in its 1986 general elections manifesto.

Malay leaders also realise that it is vitally important to obtain agreement across the races on the economic future of the nation, because the international environment is likely to be less favourable, and Malaysia must rely on its own resources for growth.

There will be an equal number of Malays and non-Malays on the council. Dr Mahathir's ruling United Malays National Organisation will send ten representatives, as will its Chinese partner, the Malaysian Chinese Association. Opposition parties, government critics, business and consumer groups will also be represented.

The NEP was launched in 1970 after bloody racial riots in which several hundred people were killed. It has the twin objectives of eradicating poverty and restructuring society to create a modern, entrepreneur class among the politically dominant, but economic weak Malay community.

This policy of "positive discrimination" in favour of the Malays has, understandably, drawn criticisms among the non-Malays, particularly the Chinese, who feel their progress is being retarded.

Dr Mahathir has acknowledged that Malaysia would achieve much faster growth without the NEP, but this could widen the the economic disparity between the races, and threaten racial harmony. The Government recently amended its licensing rules to apply only to businesses with shareholders funds exceeding Ringgit 2.5m (£500,000), which exempts most small Chinese enterprises from the NEP rules.

Tunis budget plans for increase in personal spending

By Francis Ghilès

DESPITE A more than doubling of its current account deficit, to an estimated Dinars 200m (£123m) this year, a boost to personal spending is a key feature of the 1989 draft budget which the Tunisian Government has presented to the National Assembly.

Since the bread riots of 1984 and even more so during the past two years, a policy of severe austerity imposed after the collapse in the price of oil, and measures to cut state subsidies and liberalise the economy have cut the purchasing power of most of the population and led to a reduction in employment. Last year's drought followed by the worst plague of locusts in 30 years has cost the equivalent of 80,000 jobs and cut agricultural output by one quarter.

Imports of foodstuffs nearly doubled this year to TD455m leading to a 60 per cent increase in the country's trade deficit to TD907m during the first ten months of the year. But the 15 per cent rise in imports over one year, to TD3.62bn, has also been boosted by a 20 per cent rise in the import of capital goods, to TD515m – a sign that investment is slowly picking up from the very low levels of the past two years.

Exports have performed well, rising by 14 per cent in constant prices for the second year running, while tourism has produced a minor miracle. Three million tourists – and their numbers increased by 50 per cent in one year – earned Tunisia TD1.1bn, more than half as much again as in 1987. Remittances from Tunisians working abroad also rose. The Central Bank was thus able to rebuild its foreign currency reserves to $850m, enough to cover three months imports.

Salaries were increased by TD15 a month for civil servants at the beginning of October while increases of between TD5 and TD15 were granted by the private sector. Productivity bonuses will be paid from January 1, 1989, earlier than had been expected.

A boost to local demand is seen as necessary in the run up to parliamentary and presidential elections due next April.

The budget reflects the boost being given to consumption. Whereas capital spending is forecast to rise by 8.2 per cent to TD1.23bn, current spending will rise by 16 per cent to TD1.45bn, reflecting a higher wage bill. Ministers hope that the private sector, both at home and abroad, will shoulder 48 per cent of new investment, against a share of 42 per cent this year.

Tunisian businessmen remain cautious, however, not so much because they are waiting to see which state companies the Government will sell off but because of recent events in North Africa.

Virulent denunciation of the US "satan" and of Europe's "diabolical manoeuvres to divide the Arab world and sell it junk" by Col Muammer Gadaffi, the Libyan leader, to the National Assembly in Tunis the week before last are not calculated to increase the confidence of the private sector.

Tunisians will at least enjoy the benefit of the autumn's plentiful rain – the prospect of a good crop will not only boost morale but also, in a few months, the purchasing power of those 40 per cent of Tunisians who live on the land.

US embassy received warning 2½ weeks ago

By Lionel Barber in Washington

AN anonymous telephone caller warned the US embassy in Helsinki 2½ weeks ago of a plan to blow up a Pan American jet flying from Frankfurt, a US State Department official said yesterday.

Mr Ronald Spiers, Under Secretary for Management, said the warning was relayed to the Federal Aviation Administration which then notified US embassies, relevant foreign governments and airlines flying in the European region, including Pan Am.

According to two separate reports in Washington (by the Associated Press and CBS) yesterday, the caller claimed to belong to the Abu Nidal group, a radical Palestinian faction and said the bomb would be placed aboard a Pan Am jet and would be carried by a woman.

An unclassified notice was circulated on December 13 to US embassies around the world and copies were posted on boards. It was headed: "To All US Embassies. Subject: Threat to Civil Aviation."

The notice said an unidentified individual had telephoned a US diplomatic facility in Europe on December 5 and had warned that "sometime within the next two weeks there would be a bombing attempt against a Pan American aircraft flying from Frankfurt to the US."

The notice went on to stress that there was no way the FAA could assess the reliability of the information, but appropriate authorities had been alerted.

Hours after Flight 103 crashed in Lockerbie, killing all 258 passengers aboard, Pan Am said the airline had received "no threats, no indication that anything was wrong." It added: "There were no indications prior to the flight that there were any problems on board the aircraft and no signs that inclement weather was a factor."

Mr Spiers, who has responsibility for all US diplomatic personnel, said numerous threats against airlines were received and all were taken seriously unless they were obvious hoaxes.

He noted that the State Department's responsibility for disseminating information did not go beyond informing its employees, other government departments and the airlines.

While much of the initial circumstantial evidence pointed in the direction of a terrorist attack against Pan Am 103, US officials remained cautious about drawing conclusions about the fate of the airliner.

One official said sabotage was "obviously a major possibility" but said it would be some time before an investigation could uncover the cause of the crash.

A State Department official knowledgeable about terrorism said the US was discounting the initial claim of responsibility by the Guardians of the Islamic Revolution. "We are not taking that claim as valid." He said, however, that the faction had been active recently, having murdered a supporter of the late Shah of Iran in Kensington, London, last month.

The US official said a team of US investigators was on its way to the crash site. However, he stressed that the US wished to co-operate with the British investigation. The FBI has also offered its assistance.

A State Department Working Group has been set up to deal with the disaster. It includes several top US officials, as well as the State Department's chief of counter-terrorism, Mr L. Paul Bremer III.

A D M I N I S T R A T I V E   N O T I C E

American Embassy, MOSCOW

December 13, 1988

TO : All Embassy Employees

SUBJECT: Threat to Civil Aviation

Post has been notified by the Federal Aviation Administration that on December 5, 1988, an unidentified individual telephoned a U.S. diplomatic facility in Europe and stated that sometime within the next two weeks there would be a bombing attempt against a Pan American aircraft flying from Frankfurt to the United States.

The FAA reports that the reliability of the information cannot be assessed at this point, but the appropriate police authorities have been notified and are pursuing the matter. Pan Am has also been notified.

In view of the lack of confirmation of this information, post leaves to the discretion of individual travelers any decisions on altering personal travel plans or changing to another American carrier. This does not absolve the traveler from flying an American carrier.

Aviation experts move towards agreement on sabotage theory

By Andrew Gowers

DESPITE the mystery surrounding Wednesday's Pan Am air crash, there was a growing consensus among aviation experts yesterday that it was the result of sabotage.

Mr David Kyd, spokesman for the International Air Transport Association in Geneva, said: "Aircraft just don't disappear when they are cruising at 30,000 ft. Sabotage is the likeliest scenario, but of course not the only one."

Hijacking is a more common form of airborne terrorism than bombing, partly because terrorists often want to practise extortion rather than to wreak wanton destruction.

However there have been a number of attempted aircraft bombings in recent years. With one exception the most notorious deliberate downings of aircraft have been committed by national armed forces (such as the Soviet military's shooting down of a Korean airliner in 1983) rather than terrorists.

The exception, and the most obvious parallel with this week's crash, is the 1985 tragedy in which 329 people died when an Air India Boeing 747 apparently exploded in mid-air and plummeted into the sea off Ireland.

Both then and on Wednesday, radar contact between the control tower and the aircraft was suddenly lost. And both times, the aircraft was travelling at its cruising altitude, whereas most air accidents occur during take-off and landing.

In the case of the Air India crash, nobody claimed responsibility, but investigators concluded that the flight had been sabotaged with a suitcase packed with explosives.

Suspicion fell on Sikh activists fighting the Indian Government for an independent state in Punjab.

A similar disaster was narrowly averted at London's Heathrow airport in April 1986, when an attempt was made to smuggle a bomb on to an El Al flight bound for Tel Aviv. A Jordanian was subsequently convicted in connection with this incident, for which Britain held the Syrian Government responsible.

This time, the suspicion of sabotage was reinforced when it emerged that the Federal Aviation Administration in Washington had been alerted to the danger of a bomb attack by repeated telephone warnings from an anonymous Arab caller to the US and Israeli embassies in Helsinki.

Yesterday morning brought a claim of responsibility, though US officials and the Finnish Foreign Ministry said there was no apparent link with this week's disaster.

An anonymous caller to two American news agencies in London, claiming to speak on behalf of a group known as the "Guardians of the Islamic Revolution," said that what he termed "this heroic execution" had been undertaken in revenge for the accidental shooting down of an Iranian Airbus by the US frigate Vincennes in July, in which 290 people died.

If this week's disaster was caused by sabotage, the question arises: which of the myriad groups practising international terrorism could have wanted to perpetrate such an act; and with whose assistance?

There is a grim irony to the claim that fanatical pro-Iranian militants were involved in the explosion, since it came just as the West was beginning to breathe more easily about relations with Iran, which had frequently been accused of links with international terrorism since the 1979 Islamic revolution.

After the Airbus was shot down, Iranian leaders threatened revenge in vague terms, but they have since decided to sue for peace with Iraq and have been working hard to mend fences with foreign powers.

The Tehran Government yesterday dissociated itself from the latest disaster, categorically denying involvement although it had not in fact been accused.

Mr Mir Hussein Mousavi, the Prime Minister, said: "Targetting a passenger plane is a big crime to which the Islamic Republic itself has fallen victim time and again over the past 10 years.

"It is a crime if sabotage was the cause of the Pan Am crash. But an even worse crime is the military attack by a government on a defenceless passenger plane as the USA did against the Iranian Airbus."

Despite the concluding remark, there is some reason now to believe the disclaimer of top-level official involvement. Now that it is obviously trying to steer a more pragmatic course, the Iranian leadership would have no obvious interest in such a senseless act of destruction.

That is not to say, however, that radical factions in the deeply-divided country, or radical supporters of the Islamic revolution abroad, would not feel moved to take matters into their own hands.

The Guardians of the Islamic Revolution have cropped up once before, having claimed responsibility for an assassination attempt on an exiled Iranian politician in July 1987.

It has been suggested that the group is linked to Shia terrorist groups in Lebanon such as Islamic Jihad, which may provide an ominous clue in that US officials yesterday confirmed that American embassy employees from Beirut and Nicosia were on the ill-fated aircraft and that the US ambassador to Beirut had planned to be aboard.

But as Prof Paul Wilkinson, an expert on terrorism at Aberdeen University, pointed out yesterday, there are many groups who would have been capable of and prepared to commit such an act. Chief among them are radical Palestinian factions opposed to the policies now being pursued by Mr Yassir Arafat, chairman of the Palestine Liberation Organisation.

There have been fears that one or other of these groups might commit a major act of violence, possibly against a PLO or US target, since Washington agreed last week to open a dialogue with the organisation.

Indeed, 13 members of a Damascus-based group known as the PFLP-GC were arrested in West Germany several weeks ago. Subsequent reports have said they were planning a major terrorist attack in Europe. Another possible candidate is the notorious guerrilla faction led by Abu Nidal.

Charles Price, US ambassador, leaving the scene of the crash

Boeing 747 is among safest and most popular airliners

By Michael Donne

THE BOEING 747 "jumbo jet" is not only one of the most popular aircraft in service today but also one of the safest. It has revolutionised long-distance air travel since it entered service in January 1970, when Pan American inaugurated the first commercial service from New York to London.

Out of 883 747s ordered, 710 have been delivered and most of those are still in service. Collectively, they have carried more than 850m passengers flying more than 12bn miles in over 24m hours.

Thirteen 747s have now been lost from a variety of causes since the aircraft first entered service. However, most of those accidents have been due to pilot errors, including the worst, in Tenerife in 1977, when two 747s collided on the runway, killing 582 people.

Only five of the accidents have been due to causes other than pilot error, including the aircraft that crashed at Lockerbie on Wednesday evening.

Of the other four disasters, one involved the Korean Air Lines aircraft shot down by the Soviet air force in September 1983 with the loss of 269 lives after straying into Soviet air space.

A Japan Air Lines 747 crashed near Tokyo in August 1985, with the loss of 524 lives, after part of the fuselage blew off, damaging the tail controls. The cause was later found to be earlier faulty repairs to the aircraft's rear fuselage.

Another accident was to a South African Airways 747 which crashed near Mauritius in November 1987 with 160 deaths, believed to be caused by a leak of chemicals or explosives in its cargo hold.

The fifth accident was the Air India 747 which crashed into the Atlantic off the southern Irish coast with the loss of 329 lives in June 1985, the cause subsequently being attributed to a bomb put on board before it had left Canada.

Thus Boeing can rightly claim that the structural integrity of the 747 in normal operations is among the highest of any type of aircraft.

Mr David Jiminez, of Boeing, has said that even though the Pan Am 747 was the 15th aircraft of its type built by Boeing and had therefore already had one of the longest in-service lives, it still had only flown for 72,000 hours and had only made 16,500 flights, or 33,000 "cycles." A cycle consists of one take-off and one landing.

The overall in-service life for any 747 is not less than 25,000 flights or 50,000 cycles, and several other types of aircraft – such as older Boeing 727 tri-jets and 737 twin-jets, which entered service before the 747 – have flown for many more cycles than that.

Moreover, the Pan Am aircraft, Clipper Maid of the Seas, was part of the US Civil Reserve Air Fleet and had been renovated in the autumn of 1987 and structurally reinforced to withstand the rigours of war duties.

These facts indicate that, while some kind of structural failure because of metal fatigue cannot be ruled out, it seems to be a less likely cause of the accident than an act of terrorism.

That is especially so when it is borne in mind that structural failure through metal fatigue is a much better understood phenomenon than it was in the early years of jet airliners and that a close watch is maintained on the structures of all commercial aircraft as a matter of routine maintenance.

The Pan Am aircraft had undergone its most recent check on the ground (carried out every 250 flight hours) in San Francisco only a week ago.

The airlines' faith in the aircraft remains unshaken, and no one is suggesting cancelling any orders. There are 160 747s still to be delivered, all of the latest, ultra-long-range model, the Series 400. It is capable of carrying 412 passengers over non-stop distances of 8,470 statute miles.

Recovery of data recorders helps search for cause

By Michael Donne, Aerospace Correspondent

THE SEARCH for an explanation of the Pan Am Boeing 747 disaster will be helped by the recovery yesterday of the two flight data recorders from the wreckage.

The recorders appeared to be in good condition. They were delivered to the headquarters of the Department of Transport's Air Accidents Investigation Branch (AAIB) at the Royal Aerospace Establishment, Farnborough.

The recorders, known as "black boxes" even though they are customarily painted orange, contain taped details of the functioning of the engine, hydraulics and other systems. Any deviation from normal can be identified, often enabling the cause of an accident to be established.

The AAIB, under Mr Donald Cooper, chief inspector, is already focusing on the possibility of sabotage, although it will also be studying whether metal fatigue could have caused catastrophic failure of the pressurised cabin.

The jagged chunks of metal will also hold vital clues. Different types of explosion cause different "tear signatures" in metals. A piece of metal disfigured by a bomb blast has a different "signature" from a fragment detached by metal fatigue, or by the plunge to earth after failure has occurred at great altitude.

That accounts for the call by police for souvenir hunters to hand in every piece of material from the crashed aircraft, no matter how small or apparently insignificant. Quite apart from hindering the investigation, souvenir hunters are breaking the law by retaining fragments, which remain the property of Pan Am.

Because the accident occurred in UK airspace, the AAIB is the sole organisation responsible for finding out what went wrong.

However, it will accept help from its US equivalent, the US National Transportation Safety Board, and from the aircraft's manufacturers, Boeing Commercial Airplane, part of the Boeing conglomerate of aircraft, missile and space companies. It has already called in pathologists and other specialist assistance.

The AAIB is responsible to Parliament through the Transport Secretary, Mr Paul Channon, bypassing normal Civil Service channels. It has wide-ranging legal powers.

That was demonstrated yesterday when details of the final track of the aircraft, as recorded by the Scottish air traffic control centre at Prestwick, were impounded by the AAIB. Other authorities were denied access to the information.

The AAIB, although based at the Royal Aerospace Establishment, is not part of that organisation. Over many years it has built up an enviable reputation for discovering the truth about air crashes, and often in the process has developed its own specialist techniques. As a result, the AAIB is often asked by authorities in other countries to contribute its expertise.

For example, although not directly involved in the investigation into the crash of the Air-India Boeing 747 off southern Ireland in 1985, it helped to establish that the aircraft had been destroyed by a bomb.

The AAIB's predecessor, the Accidents Investigation Branch, rose to fame while unravelling the cause of the Comet disasters over the Mediterranean in the early 1950s. It revealed the dangers of metal fatigue in pressurised aircraft structures.

The investigators of the Pan Am disaster already have some significant clues. The fact that the aircraft appeared, from flight deck conversations with Prestwick air traffic control, to be flying normally only a few minutes before the disaster indicates that the flight deck crew had no chance to shout even a "Mayday" emergency broadcast.

The speed with which the disaster occurred indicates an explosion, either from a bomb or metal fatigue, that gave the crew no time to react. Witnesses' reports of a fireball, with flaming wreckage and fuel coming to earth, supports that.

The similarities with the Air-India disaster are overwhelming.

There was an apparently calm and normal flight, with routine contacts with air traffic control, when without warning the blip disappeared from the radar screen, and there was total silence.

It is probable that within days the AAIB investigators will have a reasonably clear picture of what happened to Pan Am Flight 103, but only patient analysis will produce evidence to confirm their theories.

For example, the aircraft's recent operational history of the will be sifted, to discover where it flew, how long it stood on the ground, and what the security procedures were at those airports.

That might take weeks, if not months. But it seems likely that before the AAIB's final report is issued, provisional findings will be produced so that Mr Channon can make a statement on the most probable cause.

Government carries top security burden

By Lynton McLain

THE GOVERNMENT is responsible ultimately for security at Heathrow airport, the world's busiest international airport.

Statutory standards for security at airports were laid down by the Aviation Security Act 1982 and are implemented by the Department of Transport.

These standards reflect annexe 17 of the Chicago Convention, signed shortly after the Second World War, which sets minimum international standards for aviation security at international airports in signatory countries. National requirements that are over and above the convention standards are implemented by governments as required.

In the UK, the Transport Department oversees the security operations at Heathrow airport. The department said last night: "We set the standards, but how these are implemented is up to the airport operator in conjunction with the police and the airlines that use the airport."

At Heathrow, the Metropolitan Police help to co-ordinate and supervise a complex array of subsidiary security operations, including those of the airlines which are responsible for their own security, in common with international airport practice.

The security operations are operated by the 150 airlines, independently of one another, that use Heathrow; by the management of Heathrow Airport Ltd; by BAA, the airport holding company; and by the army.

The police have been involved with security at Heathrow since 1974. Previously security was in the hands of the British Airports Authority.

Until two years ago the police presence at Heathrow was discreet. Their profile was raised dramatically early in 1986 when armed officers were given approval by the Home Secretary to carry, visibly and conspicuously, their German Heckler and Koch sub-machine pistols as a deterrent to would-be terrorists.

The decision came as the Government's response to terrorist attacks at Vienna and Rome airports on December 27 1985. Terrorists lobbed hand grenades and fired automatic rifles in simultaneous attacks on the Israeli El Al airline check-in counters at the two airports, killing 17 and wounding 116 people.

The police operate a special Security Division at Heathrow under a commander, the highest operational rank. All the officers in the division are trained to use firearms. Separately, the Metropolitan Police Special Branch operate in plain clothes all the time.

Both the visibly armed Security Division officers and the Special Branch officers are on duty throughout the airport.

While the police have overall responsibility for security at Heathrow, their task is complicated by the existence of the four other, separate security operations at the airport.

They include those carried out by Heathrow Airport, the company set up by the Government on privatisation of the former British Airports Authority. BAA has the ultimate administrative control of the airport and has control over corporate policy for security.

The army also has a security role at Heathrow and acts in support of the police and always under their authority.

Occasionally, and deliberately unpredictably, the army is called out for security exercises with armoured cars and for genuine emergencies at the airport. However, unlike some continental airports, such as Munich, armoured cars and tanks do not routinely patrol the airport.

The final level of security is provided by the airlines. Each is responsible for provision of its own security around the check-in desks, the luggage-handling arrangements and in the cargo areas.

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UK NEWS - LOCKERBIE DISASTER

Commons united in refusing to speculate on disaster

By John Hunt and Tom Lynch

MR PAUL CHANNON, Transport Secretary, repeatedly refused to speculate yesterday on whether a terrorist bomb had been responsible for the Lockerbie air disaster.

At a press conference following a statement in the Commons, he took a cautious line and said it was possible that there could be a different explanation for this "appalling accident."

The Transport Secretary was asked about a telephone call to a news agency in London from someone claiming to represent the Guardians of the Islamic Revolution. The caller said the movement had "carried out this heroic execution" in revenge for the American shooting down of an Iranian airliner in the Gulf earlier in the year.

"I would not make any comment about that at this stage," Mr Channon said. "It is unwise for me or anyone else to speculate." In the Commons, he gained general support among MPs for his statement that speculation about the cause of the tragedy would be "premature and quite wrong," though many members made clear they suspected sabotage.

At his press conference, Mr Channon was questioned about the views of experts who said that sabotage was the only possible explanation for the crash. "That is not the case," he replied. "There are other explanations that could explain this appalling accident."

The wreckage was spread over a 10 to 15-mile area and had to be examined very carefully. He said it was not known whether Pan Am Flight 103 was losing height at the time of the explosion. "We know the plane must have broken up at some high altitude but we don't know what altitude." Two minutes before the crash, contact with the aircraft had been "wholly routine." However, it was clear from sources close to Mr Channon that the possibility of an act of terrorism is being given high priority in the intensive investigation into the crash.

The Scotland Yard Anti-Terrorist Squad has been brought into the inquiries. The investigation is focusing on events at Heathrow prior to the take off of the aircraft.

One aspect concerns the length of time the flight was on the ground at the airport as it awaited the connecting flight from Frankfurt before departing for New York. Having flown in from the US, the aircraft was on the tarmac for six hours from lunchtime onwards. Other inquiries centre on the transfer of passengers' luggage from the Frankfurt flight to the Jumbo.

Mr Channon said that investigators would be looking very carefully at the way the baggage had been handled, but he said there was no evidence to suggest that there was any loophole in this area. He confirmed that were no other aircraft in the vicinity when the tragedy occurred.

The Transport Secretary told the Commons that the inquiry by his department's air accident investigation branch would be carried out "with all the urgency appropriate to an event of this kind." A report would be published as soon as possible, with an initial bulletin on the first stage of the investigation "shortly."

He promised MPs that, before the report was published, "if action is shown as being necessary in any field, we will take it straight away."

There was general approval by MPs for Mr Channon's promise that any lessons learned during the disaster inquiry would be acted on immediately.

Several Cabinet ministers, including Sir Geoffrey Howe, Foreign Secretary, and Mr Douglas Hurd, Home Secretary, were in the chamber to hear Mr Channon's statement. Mr Neil Kinnock, Labour leader, and Mr Roy Hattersley, his deputy, listened from the opposition front bench.

A succession of MPs expressed shock at the scale of the disaster, sympathy for the bereaved and admiration for the emergency and rescue services. Mr John Prescott, shadow Transport Secretary, described the event as "a nightmare come true."

Mr Prescott said the disaster, hard on the heels of the Clapham rail crash, made this month one of the worst in two years which had also seen the sinking of the Herald of Free Enterprise, the King's Cross Underground fire and the Piper Alpha disaster.

"We can never make travel totally safe, but in 1989 we must redouble our efforts to maintain and improve safety in our transport industries."

Mr David Steel, the former Liberal leader, whose Tweeddale, Ettrick and Lauderdale constituency adjoins the area, called for low-flying exercises by military aircraft over the Borders area to be suspended over the holiday period. He said people's normal anxieties about low-flying aeroplanes would be heightened by the disaster.

Mr Channon said he would refer the request to Mr George Younger, Defence Secretary.

Mr Brian Wilson, Labour MP for Cunninghame North, told MPs: "There are two interlocking tragedies – the horror of a major air crash allied almost uniquely to such devastation on the ground. Lockerbie will endure a prolonged aftermath of human suffering, psychological trauma and physical damage." He called for "generous resources" to help the people of the area recover from the disaster.

Mr Channon said Mr Malcolm Rifkind, the Scottish Secretary, was on the scene to assess the area's needs. The Government would contribute to the emergency fund being set up by Borders Regional Council.

While most MPs refrained from direct speculation about the cause of the disaster, several expressed confidence in the safety of the Boeing 747 and in the security measures in force at British airports.

The minister agreed with Mr Norman Godman, Labour MP for Greenock and Port Glasgow, that experience after the Piper Alpha disaster showed that assistance and compensation could be given to the relatives of victims of such tragedies "in a rapid and expeditious way."

Paul Channon: "unwise...to speculate"

Crash highlights low compensation limits

By A.H. Hermann, Legal Correspondent

THE CRASH of the Pan American Boeing 747 is another reminder of the inadequacy of compensation limits imposed by international agreements on claims made by aircraft accident victims or their relatives.

Where the airline route includes a point in the US this limit is still only $75,000 (£41,725) per passenger. The amount was based on the 1929 Warsaw Convention and increased to its present level by the Montreal agreement in 1966.

As Pan Am Flight 103's destination was New York, the limit applies in this case.

Some airlines increase the limit contractually, although they do not always show it by the small print on tickets.

No such limit applies to those who suffered in a disaster but not as passengers – those living in or visiting Lockerbie will be able to claim compensation from Pan Am free from any special limitation.

The liability of the airline is strict, both towards its passengers and other victims of a disaster. That means that negligence on the part of the air carrier does not have to be proved.

This should speed up litigation or settlement negotiation, as the admission or proof of negligence is otherwise the most difficult obstacle faced by claimants.

As it is thought probable that the crash of Pan Am Flight 103 was caused by an explosion on board, one has to consider what legal consequences that would entail for victims and their families if it is established that the crash was caused by terrorist action.

Before 1966, airlines could avoid the strict liability if they proved that the accident was caused by terrorists in spite of all necessary precautions having been taken by the airline.

The Montreal agreement removed that means of escape from strict liability. Moreover, if it were to be proved that a terrorist attack was made possible by the negligence of airport authorities, further claims, additional to those addressed to the airline, could be made against them.

In the view of the Association of British Insurers, a terrorist act would not trigger the "war and civil commotion" exclusion clause in insurance policies because there was no declaration of war and a terrorist act is not an act of war. Although that is no doubt true in the present case, the same might not apply in, say, Beirut conditions.

The original limitation of air carriers' liability of the Warsaw Convention – still mentioned on air tickets – was expressed in gold francs, and that still underlies the present limitation.

Calculated on the current price of gold, the limit would now be $165,000. However, in a cargo-loss case, the US Supreme Court held that the conversion had to be at the "official" rate of $42 per fine ounce, which resulted in $20,000 only.

Nor could the Pan Am claimants benefit from the higher limit agreed in the Montreal Protocol of 1975. Its limit, equal now to some £85,000, already applies to British carriers. But the protocol has not yet been ratified in the US – the ratification bill was only recently introduced in the Senate.

In the Lockerbie disaster, almost all those whose houses, cars and other property were damaged will have their own insurance policies. These normally exclude double cover, however, so that whatever is received from Pan Am will be deducted from the insurance claim.

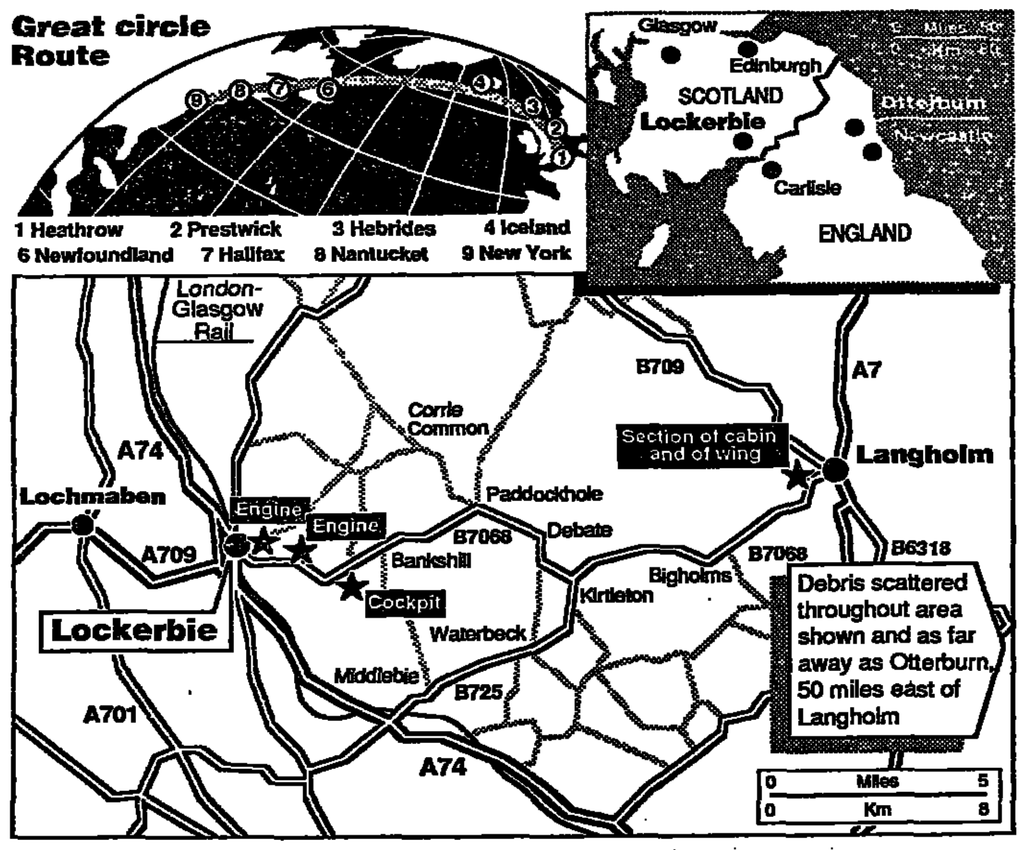
By contrast, travel or life assurance policies are as a rule strict contracts, promising specific payments in case of injury or loss of life which would be additional to whatever is received from Pan Am. Experienced travellers, aware of the restrictions of the Montreal agreement, know the value of protecting their families with travel insurance. Some charge and credit cards provide automatic insurance when tickets are billed to them.

The bereaved families of passengers would have a chance of obtaining compensation beyond the limit of the Montreal agreement if it could be proved that the destruction of the aircraft was due to the failure of the aircraft or some of its components – the engine or navigation system for example.

In such a case, the passengers' families would have a product-liability claim against the manufacturer or some of its subcontractors or suppliers. Such claims made in the US courts could result in awards running into millions.

Nor would the limits of the Montreal agreement apply if the claimants could prove that there had been recklessness.

For example, that an airline had been aware of a fault, which subsequently caused an accident, but had still allowed the aircraft to take off. However, the initial evidence of the Flight 103 disaster suggests that these circumstances do not apply.



A policeman examines the wreckage of a vehicle amid the devastation in Lockerbie

State Department officials among dead

By Joel Kibazo

THE US Embassy in London said yesterday that four State Department officials were among the casualties of Pan American Flight 103. The officials were thought to be on their way home from Beirut.

Also on the aircraft was a group of US military personnel based in West Germany and their families, and another group of British-based US students on their way home.

Pan Am yesterday released the names and partial addresses of the 16 crew members of the flight but refused to release the names of the victims untill all the next of kin had been informed. Some of the casualties, however, were named by other sources.

Mr James Fuller, 50-year-old vice president in charge of Volkswagen in the United States, and 33-year-old Mr Lou Marengo, the company's marketing director, died in the crash, according to a Volkswagen official in Troy, Michigan.

Also killed was Mr Mark Rein, treasurer of Salomon Inc and of Salomon Brothers, its investment banking subsidiary. Mr Rein was responsible for strategic global funding, global bank credit facilities and asset-liability analytical support.

Another victim was Mr Frank Ciulla, 45, a senior executive of Chase Manhattan Bank. He was chief financial officer of the Chase Investment Bank, the bank's London merchant bank offshoot.

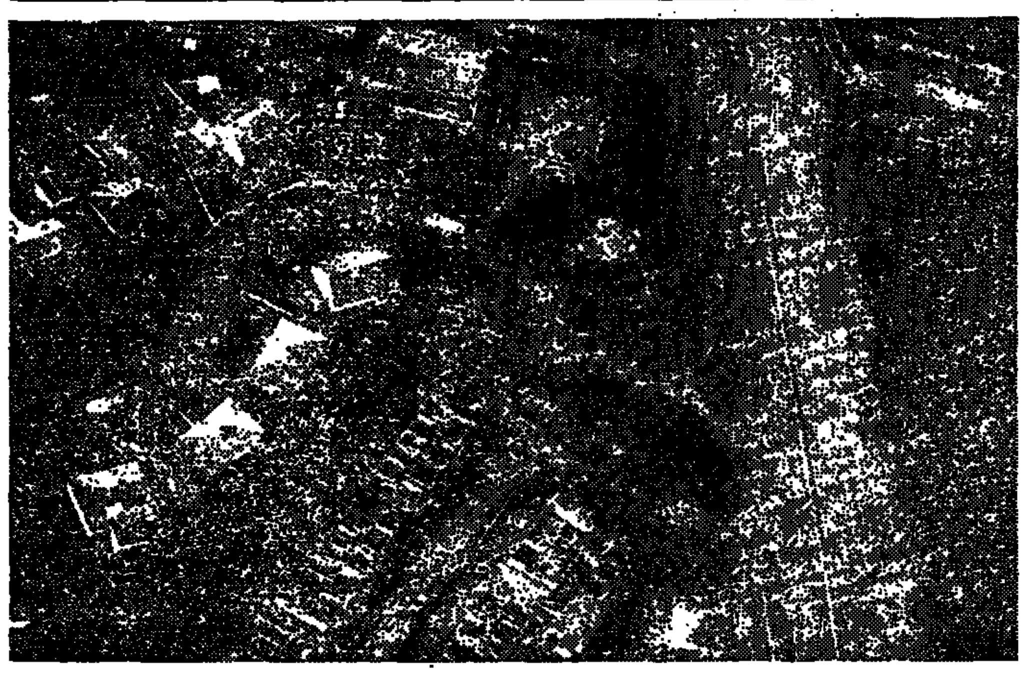
Mr Bernt Carlsson, a Swede who was United Nations Commissioner for Namibia, was also aboard.

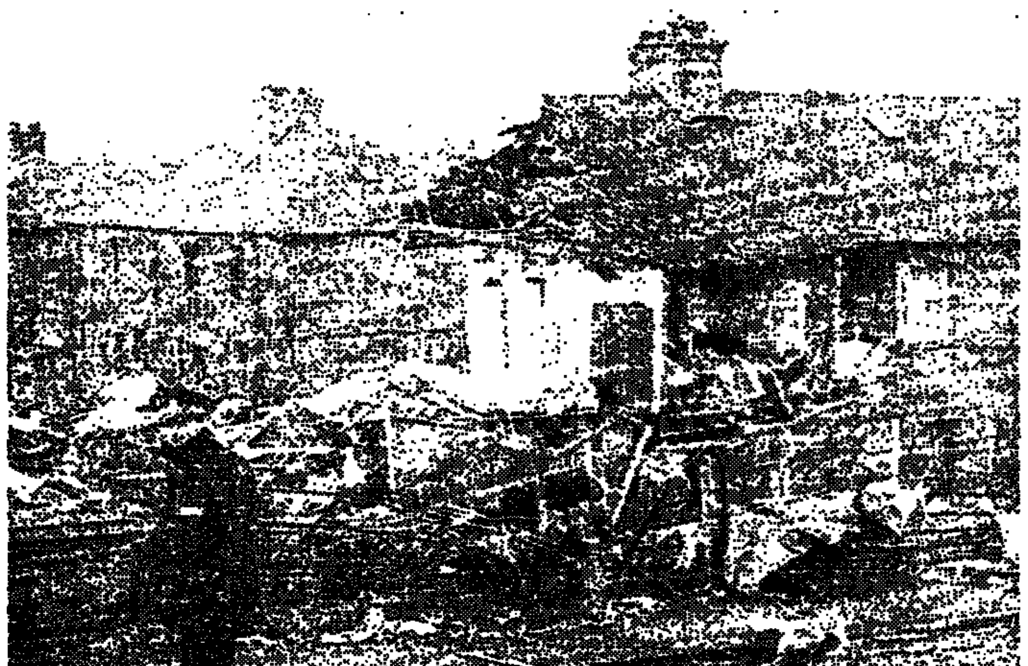
Mr John Mulroy, director of international communications for Associated Press, died with five members of his family. Mr Mulroy had joined AP in 1984 after 25 years with Pan Am.

Mr Louis D. Boccardi, AP president and general manager, said Mr Mulroy had guided the streamlining of our international news and picture communications systems.

Hundreds of calls jammed switchboards at US bases in Britain on reports that British-based US servicemen were also aboard flight 103. However an official at RAF Mildenhall in Norfolk, one of the US bases, said no British-based personnel had been on the flight, as far as they were aware.

A group of 38 students from Syracuse University, in New York State were studying at the London centre of the University. A centre spokesman said: "We are stunned by the news that some of our students were on board, and we are trying to cope with inquiries from friends and relatives."





Baggage handling still security's weak link

By Richard Donkin

SUSPICIONS that Pan Am Flight 103 could have been destroyed by a bomb have focused attention on the security of baggage handling at international airports.

Mr John Brindley , of the International Air Transport Association, said yesterday that the determined terrorist would always find a way through security systems, even those as sophisticated as Heathrow's, where 1,200 security staff are employed.

He said that of the three possible ways for explosives to find their way on to an aircraft, the route through the passenger terminal was the least likely. That was because scanning of baggage and passenger search procedures had advanced to the stage where it was difficult to beat the system.

The second possibility – that a bomb could have been planted by a member of staff – could not be discounted at an airport the size of Heathrow, which employed so many staff, a large proportion of whom would have security passes allowing them access to the boarding area.

The third, and most likely possibility, was that baggage containing a bomb could have been transferred to the aircraft from an incoming flight. With baggage and mail being transferred from aircraft to aircraft as a matter of routine, this was the weakest security link, he said.

Mr Gordon White, an airport officer representing members of the Transport and General Workers Union at Heathrow, said checks were not normally carried out on baggage being transferred between aircraft. He said he did not know whether or not baggage had been checked when transferred from the Frankfurt flight.

He added that airports were regarded as "clean" areas in security terms, so that once baggage had passed through checks elsewhere it would be unlikely to be rechecked. While while all hand baggage went through scanners, only about 20 per cent of cargo-hold luggage was thoroughly checked.

● The destruction of an Air-India 747 over the Atlantic in June 1985, in which 329 people died, was determined by an Indian judge to have been caused by a bomb. Two Sikhs were subsequently prosecuted for placing a second bomb in baggage on an aircraft that flew from Vancouver to Heathrow. The bomb was triggered on the ground in London and no one was hurt.

In 1987 Mr Nezar Hindawai, a Jordanian of Palestinian origin, attempted to place a bomb on an Israeli 747. He was sentenced to 45 years in prison after passing on a bomb to his pregnant, unsuspecting Irish girl friend, Anne Marie Murphy, before she boarded the aircraft. It was discovered by Israeli security staff.

Pan Am is still eighth largest airline

By Michael Donne, Aerospace Correspondent

PAN AMERICAN is still the world's eighth largest airline in terms of passenger-kilometres flown, in spite of financial problems in recent years.

The airline flew a a total of 42bn scheduled passenger-kilometres in 1987, including international and US domestic operations, according to the International Air Transport Association.

On international routes alone, it ranked number three, after British Airways and Japan Air Lines, with 33.5bn scheduled passenger-kilometres flown.

The airline last year celebrated its 60th anniversary, having been founded by the legendary Mr Juan Trippe in 1927. Its first service was from Key West, Florida, to Havana, using a Fokker F-7 tri-motor aircraft.

Mr Trippe was a visionary, but also a good businessman, and he built Pan American into one of the world's great pioneering long-haul airlines. By last year, the airline operated a fleet of 113 jet airliners and 14 turboprop aircraft, over a route network of 234,000 miles to 31 cities in the US and 66 cities round the world.

Pan American has always been associated with advances in commercial aviation. From its early collaboration with Sikorsky before the Second World War, it developed the long-range flying boats that opened the Atlantic (in collaboration with Imperial Airways of the UK) and Pacific air routes.

In 1948, Pan Am introduced the economy class seat to world aviation, and offered tourist class fares across the Atlantic in 1952.

Probably its biggest contribution to world commercial aviation development, however, was the support it gave to the development of the Boeing 747 "jumbo jet" in the mid 1960s, when it was still the most influential airline in the world.

At that time, Mr Bill Allen, then president of Boeing, flushed with the success of his Boeing 707 four-engined long-range jet programme, was thinking of spending a vast sum on the world's biggest airliner.

Pan Am was interested, and in 1965 Mr Trippe is reported to have said: "If you'll build it, I'll buy it." Mr Allen's response was: "If you buy it, I'll build it."

From that conversation, the 747 was born, with an order from Pan Am for 25 of the first Series 100 aircraft at $20m (£11m) each. The transaction was worth in the mid 1960s over half a billion dollars, including spares, and was at that time the world's biggest airliner deal.

Other airlines were obliged to follow Pan Am. When the first 747 rolled out in late 1968 from its assembly factory in the forests north of Seattle in the US Pacific north-west, Boeing knew it had a winner.

Pan Am was the first airline to put the 747 into service, in January 1970. Pan Am's subsequent financial history has been chequered, with serious labour difficulties that have plagued the airline and obliged it to sell off many of its assets.

Nevertheless, as the Iata figures show, it remains a leading force in world airline affairs.

Rover and Honda drop plan to build R8 car in Japan

By Kevin Done in London and Ian Rodger in Tokyo

ROVER GROUP *and Honda of Japan* are to drop plans for Honda to produce on Rover's behalf a version of their jointly developed small family car.

Two years ago Rover and Honda agreed terms for the shared design and development of a range of cars.

Rover was to build versions of the cars for Honda at its plant at Longbridge, Birmingham, while Honda would reciprocate for Rover in Suzuka, Japan.

Honda launched its version of the car, known as the Concerto, in Japan last June but production of the Rover version, code-named R8, is unlikely to begin before next summer with a launch in the UK market in the second half of 1989.

Instead of Honda producing a Rover-badged version of the R8 in Japan, Rover will now export the car from the UK.

Honda said yesterday that the change in plans had been made partly because its factories in Japan were already operating at capacity and partly because, from a sales point of view, there was an advantage to Rover Group in selling an imported product in the Japanese market.

Rover said that "current exchange rates make it more attractive" to export the car from the UK" after the rapid appreciation of the yen.

Exports of the Rover R8 to *Japan are expected to begin in* late 1990.

It is understood that plans for Rover to produce for Honda 30,000-40,000 Honda Concertos a year at its Longbridge plant will be unaffected by yesterday's announcement.

This is the most important of the co-production deals for Honda, since it will give it unrestricted access to European markets such as France, Italy and Spain, which currently impose strict quotas on cars imported directly from Japan.

Rover and Honda have been co-operating in car development and production for nearly 10 years, ever since Rover began the licensed production in the UK of the Honda Ballade car under the Triumph Acclaim badge.

Yesterday's move is the second dilution of earlier joint production agreements, however.

In March the two groups announced that they were dropping reciprocal production of their jointly developed executive car, the Rover 800/Honda Legend.

Since the cars' launch in 1986-87 Honda had made small volumes of the Rover Sterling in Japan and Rover had built small volumes of the Honda Legend at its Cowley assembly plant in Oxford, but the arrangement was discontinued in the autumn.

Final Piper report confirms valve fault

By Max Wilkinson, Resources Editor

THE explosion which wrecked the Piper Alpha North Sea oil platform with the loss of 167 lives was probably caused by a faulty valve in the main gas compressor, the Department of Energy confirmed yesterday.

A final report of the technical investigation by Mr Jim Petrie, the department's director of safety, confirms the findings of an initial report published in September.

The technical findings will go before the full public inquiry into the disaster which opens in Aberdeen under the chairmanship of Lord Cullen on January 19.

Yesterday's report from Mr Petrie says no new information has come to light since September to change his first view of the cause of the accident.

He said then that the accident resulted from a combination of human error, equipment failures and faulty procedures.

The initial cause was a leak in a gas condensate pump which the control room did not know was being repaired.

His chronicle of the events leading to the final catastrophic explosion showed that many important safety systems failed to work.

Emergency pumps which should have provided sea water to douse the initial fire failed to start up, communications systems did not work and even an emergency liferaft failed to inflate.

The first blast on the platform was strong enough to destroy a fire wall protecting the control. Emergency power supplies did not start up and the emergency lighting gave out quickly.

If water had been pumped through the sprinkler system fitted to the platform the structure might have been kept cool enough to contain the initial fire and to prevent the subsequent rupture of main gas pipes which enveloped the platform in flame and led to its disintegration.

In his initial report Mr Petrie offered alternative theories about the cause of the accident. The latest document does not take this discussion further.

His report highlighted a number of areas of safety which needed particular attention on platforms

Law Society recommends move to contingency fees

By Raymond Hughes, Law Courts Correspondent

A WORKING party of the Law Society of England and Wales has recommended the ending of the law against solicitors conducting litigation on a contingency fee basis.

In a report published yesterday, the working party says that the removal from the Solicitors Act of the ban on contingency fees would enable the profession to review its own rules on the subject.

At present a solicitor may not agree to be paid only if the client succeeds.

The ban applies both to US-style contingency fees, calculated as a percentage of winnings, and to "speculative funding" agreements, permitted in Scotland, under which solicitors agree to accept no fee if the case is lost.

The working party is in favour of allowing speculative funding agreements, but expresses reservations about the system under which the winning lawyer is paid a proportion of the damages recovered.

The report says that would mean extra expense for successful plaintiffs. At present they receive their damages in full and their costs are paid by the losing party.

Under a US-style agreement, the proportion of damages paid to the lawyer would be greater than normal legal costs, because of the need to compensate lawyers for the cases in which they receive nothing.

Also, as only the litigant's legal costs would be covered by a contingency fee agreement, he would still be at risk under court rules of paying the other party's costs if he lost.

The working party also believes that, because of the comparatively small size of damages awards in most personal injury cases in the UK courts, a contingency fee agreement would probably be appropriate in only a small minority of cases.

The report proposes that the Law Society should consider making agreements with banks and building societies for loans to the public to pay for legal services.

Sunday shopping 'favoured'

By Maggie Urry

MORE THAN 90 per cent of Tory Members of Parliament favours changing the Sunday shopping rules, a survey by Young Conservatives suggests.

The survey's findings have been presented to Mr Tim Renton, the Home Office minister responsible for the Sunday trading issue. Of 165 MPs who responded, 151 said they favoured reform.

The last attempt to reform the Shops Act, based on total deregulation of Sunday shopping, was defeated in the Commons in 1986. However, the Government has a commitment to reform the Shops Act, which is seen as being outdated and full of anomalies.

The survey showed that of 37 Tory MPs who did not support the 1986 bill, 29 now favoured some reform of the Shops Act, with 12 going for total deregulation for part or all of the day.

Mr Renton said at the Conservative Party conference in October that he favoured total deregulation of shopping on Sundays for limited hours.

Last month the Shopping Hours Reform Council presented a compromise. It suggested allowing shops to open on Sunday from noon to 6pm, which it believes will prove acceptable to most people.

Fire bombs found in two northern stores

By Richard Donkin

INCENDIARY DEVICES have been discovered in two department stores in the north of England, after fire bombs were found in six other stores earlier in the week and a further store in Plymouth was destroyed by fire.

Police believe the attacks are linked in a Christmas bombing campaign by animal rights extremists. They have warned store managers throughout Britain to be on their guard.

Part of central Manchester was sealed off on Wednesday night as the Kendal Milnes store in Deansgate was searched by bomb squad officers. A bomb disposal team was also sent to Lewis's store in the centre of Liverpool. Devices were discovered in both stores and were defused.

The alarm was raised after a man, claiming to represent an animal rights organisation, telephoned the Liverpool Daily Post saying bombs had been planted in the two stores.

Det Chief Supt Clive Atkinson, head of Greater Manchester CID, said the device at the Kendal Milnes store was similar to others found throughout the country.

In an unconnected incident, an incendiary device was discovered in a package sent to a tax inspector in Irby, Wirral. Police said the man's wife began to unwrap the package but became suspicious and called the police.

Police said there was no indication who sent the package and that there was nothing to link the incident with the attack on the stores.

Police investigating the blaze that on Monday night destroyed Dingles store in Plymouth have called for extra vigilance by staff in stores around Christmas.

Security checks have been carried out at department stores throughout Britain after devices were found on Monday night and Tuesday at Harrods, Knightsbridge, London; Howell's, Cardiff; House of Fraser, Oxford Street, London; Rackhams, Birmingham (all owned by House of Fraser); and Selfridges, London, and The Fur Review Publishing Company, of Kennett Wharf Lane, City of London.

The House of Fraser group has offered a £20,000 reward for information leading to the arrest and conviction of those involved in the fire.

Software house signs Siemens deal

By Alan Cane

TETRA Business Systems, a small but fast growing UK-based computer software house, has announced that Siemens, the West German industrial giant, has agreed to sell Tetra's software under licence worldwide in a deal that should be worth £40m over the next 12 years.

The agreement also gives Siemens the option to market, on similar terms, any new international software developed by Tetra during the period of the contract.

Tetra is reaping the benefits of a decision three years ago to design business software that can be used in many countries without expensive alterations to suit local requirements.

Siemens has paid Tetra £1.5m in advance royalties. According to Mr Helmfrid Fulling, general director of sales for Siemens Data Systems, Tetra's software provided the most flexible solution of all the systems it had examined.

The deal allows Siemens to market Tetra's Chameleon business software and the manufacturing systems Materials Resource Processing (MRP) I and II, on its Unix computer systems.

Unix is an operating system – a program that controls the internal operations of a computer – which is attracting much attention because it is seen as the best hope of establishing a standard approach to computing for small and medium-sized machines.

However, the industry is broadly split over which version of Unix should be the standard. Siemens is a member of the Open Software Foundation, which champions a version based on one developed by International Business Machines. The opposition is led by AT&T, the original developer of Unix.

Mr Sean Dowling, Tetra's managing director, said the agreement with Siemens was non-exclusive.

He said the software would run on a number of proprietary operating systems, including Digital Equipment's VMS, and Unix.

Tetra was formed in 1979 and is still privately owned. Last year it turned over £16.5m and Mr Dowling expects to double that figure in the coming financial year.

Why safety will be on the line in London

John Elliott in Hong Kong explains the obsession that guides LRT's new chairman

SAFETY "must be an obsession," says Mr Wilfred Newton, who was named on Wednesday to take over as the new chairman of London Regional Transport, a year after the King's Cross Underground station fire.

"You must be aware," he says, "that you are always on the edge of some sort of incident, and keep to standards and watch details so as to keep the effect to a minimum."

For the past five years Mr Newton has been running Hong Kong's Mass Transit Railway, which carries nearly nine times the London Underground's daily total of about 5,500 passengers per kilometre (although London has a much wider network) and has an excellent safety and efficiency record.

However, Mr Newton, aged 60, also has earlier personal and business reasons for being extremely safety-conscious. Two motor accidents have left him with an eye injury and an artificial leg that causes him to walk with the aid of a stick.

In addition, for 14 years (before moving to Hong Kong), Mr Newton held top positions in T&N, then Turner and Newall, the UK industrial company, until it was caught up in the asbestosis health scare of the early 1980s.

Wilfred Newton: a personal stake in safety awareness

Mr Newton was due to retire from the Hong Kong MTR early next year, and was looking for semi-full-time work in the UK when he was approached by Mr Paul Channon, Transport Secretary, about a non-executive board post at London Transport, with a hint of something more.

A second approach, this time about the full-time executive chairmanship, followed when Mr Channon was in Hong Kong at the end of last month after publication of the King's Cross fire report.

Mr Newton accepted the job last Friday on a five-year contract with a salary which he says is "significantly more" than the £64,000 a year of his predecessor, Sir Keith Bright, but "somewhat less, depending on the exchange rate" than he is receiving now. Sir Keith resigned when the inquiry report by Mr Desmond Fennell, QC, was published.

Perhaps the biggest change in London will be relationships with the Government. "In Hong Kong, although I have three government secretaries on my board, I enjoy a unique degree of freedom," he says. "I suspect there is rather closer government involvement and less autonomy in London."

Mr Newton is highly respected in Hong Kong, for his work at the MTR and as chairman of the colony's Futures Exchange, which he took over after the world market crash last year. Hong Kong is a gossipy, village-like community that delights in doing people down, but it is difficult to find critics of Mr Newton – he was even rumoured to be a candidate for the top government job of financial secretary early this year.

In the opinion of one colleague, he has "great skills both as a chairman, dealing with relations with the government and the public, and also enormous strengths as an administrator. His massive patience and tact has been shown in the reviving of the Futures Exchange, and his ability to motivate a team, letting other people do their jobs and also take the credit, is demonstrated at the MTR.".

His skills and tact prevent him from setting out *what he* aims to do at London Transport, where, unlike the very modern system in Hong Kong, he is aware that there are "parts which are old, parts needing major renewal, and parts which are relatively modern." But he recognises the "irrelevance" of much of his experience in Hong Kong, where about 2m people are carried a day on only 38.6 kilometres of routes, compared with London's slightly higher passenger figure of 2.2m people a day, but on 395 kilometres.

"I must look at the organisation, see whether the present management structure is adequate, follow up the Fennell report on King's Cross, which I have read in detail, deal with the Central Line development work, handle the London Bus deregulation and privatisation, and think about London's transport priorities," he says.

Mr Newton is likely to look into possibilities for new financing methods after the achievements of the Hong Kong MTR, which is government-owned but self-financed. The MTR has top ratings on the world money markets, where it raises investment funds and organises currency swaps. "We run the most sophisticated treasury operation in Hong Kong outside the banks," he says.

Mr Newton also has a repu*tation for tough* but fair labour management. In 1984 he defeated wildcat strikes by a union that had only 10 per cent of the 5,500-6,000 workforce as members. He then organised staff attitude surveys and introduced reforms over underlying grievances, such as a performance-related pay system which caused concern in a society accustomed to being paid by seniority.

Tight disciplinary procedures, which were also causing resentment, were "humanised without relaxing standards."

That takes Mr Newton back to safety. He says he was proud of the work done to counteract asbestosis by Turner and Newall, where he resigned as group chief executive after the health scare escalated already serious financial difficulties.

"If you have worked in an industry known to be hazardous, it does increase your awareness of safety," he says. "On our customer service programmes here, we start by teaching the fundamental need for safety. We preach to our management that safety must be an obsession."

High Court curb on use of Anchor name

By Clay Harris

TWO MEN who have resigned as directors of a London-based trade finance house have been ordered by a High Court judge not to pass off the business of a new, similarly named company as having any connection with their current employer. The injunction is until trial.

Harvey & Thompson, the publicly quoted pawnbroker, debt collector and credit financier which plans to buy the new company, has given similar undertakings.

The dispute involves four companies with Anchor in their names. Anchor Trade Finance (UK), founded in 1981, and Anchor Trade Finance (UK) (1987) operate as one business and are owned by Anchor Confirming Holdings, a Liberian-registered company.

The fourth company, Anchor *Confirming and Finance, has* no corporate connection with the others and does not plan to begin trading until next month.

It does, however, plan to employ five people who once *comprised the other compa*nies' entire London-based staff.

They include Mr Maurice Schwartz and Mr Michael Leslie Sims, the directors named on Tuesday in Mr Justice Scott's High Court order.

Both men resigned on November 29 as directors of the two UK Anchor companies, as did the other three employees, although their notice does not take effect until December 31.

On December 9, Harvey & Thompson announced the acquisition of Anchor Confirming and Finance for up to £6m, describing it as a "trade finance house" which would change its name to Harvey & Thompson Trade Finance.

However, in a subsequent circular to shareholders, Harvey & Thompson said the company was not to begin trading until January 1989.

The company in question was incorporated as Dovey Financial Services on November 3 and changed its name to Anchor Confirming and Finance on December 8, one day before the purchase by Harvey & Thompson was announced.

In spite of that short history, Harvey & Thompson's circular states: "Mr Schwartz currently services approximately 50 active clients through his existing business and is frequently being approached by potential clients. Until now, however, the factors limiting Anchor's expansion have been a lack of capital and management time."

Harvey & Thompson said the acquisition would enable Anchor "to increase substantially its volume of business."

*The original Anchor compa*nies claim that since the new concern has not begun trading, these references appear to relate to their own businesses.

Earlier this year, moreover, Harvey & Thompson had been *in talks about a possible pur*chase of the original UK-based Anchor companies. The negotiations broke down in September.

On Tuesday, Mr Justice Scott also ordered Mr Schwartz not to solicit business on behalf of any confirming house except his present employer, one of the old Anchor companies.

Mr Rupert Galliers-Pratt, Harvey & Thompson's chairman, said yesterday that his company had "acted with complete and total propriety." His company had no role in the decision to use "Anchor" in the acquired concern's name.

Harvey & Thompson shareholders are due to vote on the *acquisition on January 4 at an* extraordinary general meeting at the company's south-east London headquarters.

Newspaper trial launch postponed

By Raymond Snoddy

MR ROBERT MAXWELL, the publisher, yesterday announced that he was postponing the UK trial launch of The European, the planned international newspaper.

The UK trial had been scheduled for February in advance of the May 9 pan-European launch date of the daily, to be published mostly in the English language.

Mr Maxwell, publisher of Mirror Group Newspapers, said he had discovered that "the melding of the British and French journalists is proving a very difficult task."

British publication was now likely to be rolled into the pan-European launch to make more time for further research.

"We will take whatever time and expense is necessary to ensure we get it right," Mr Maxwell said.

He said he was reasonably sure that he would be able to meet the May 9 deadline, but added: "We would rather be late than wrong."

Mr Maxwell delayed the launch of the ultimately unsuccessful London Daily News to turn it into a 24-hours-a-day newspaper.

He is now concentrating his efforts on the idea of a Europe-an-wide newspaper. He said there was no disagreement about the concept of The European – simply about how the plan was to be implemented.

"The problem of combining French and British journalists is tough," he said.

A dummy version of The European has already been widely distributed and the newspaper's management is seeking the comments of potential readers.

ABS buys program writer

By Alan Cane

ABS Computers, a small UK computer company bought by Trafalgar House a decade ago, has acquired Shortlands Computer Services, a small but well regarded software house, for an undisclosed sum.

Shortlands, based in Maidenhead, Berkshire, is chiefly a supplier of accounting software and its principal product, Imperial Gold, a *multicurrency fund* management system, is used in 94 countries.

The company, which had a turnover of about £2m last year, does about 75 per cent of its business abroad, selling through dealers such as Computerpower in Australia.

ABS is establishing itself as a systems integrator, bringing together hardware and applications software from other vendors to meet the needs of its customers. It has been pioneering the use of the Unix operating software on high-powered US minicomputers such as Arix and Pyramid.

Hinkley air risk denied

By David Green

THE MINISTRY of Defence has assured the Hinkley Point C inquiry that the safety of the nuclear power station site in Somerset is not endangered by low-flying military aircraft.

The Lilstock bombing range, a few miles offshore from Hinkley Point, is used by Sea Harrier jets and Sea King helicopters based at the Royal Navy air station at Yeovil and by Hawk, Buccaneer and F-111 jets from Royal Air Force and US Air Force bases.

Aircraft are prohibited from flying below 2,000 ft within one nautical mile of the two existing nuclear plants.

The ministry says in a written statement to the inquiry that, according to its records, only one formal complaint has been received from the Central Electricity Generating Board management at Hinkley Point in recent years. It had been investigated, but no evidence of a breach in regulations had been found.

Water companies appeal on stock build-up

By Andrew Hill

THE WATER Companies Association is to appeal against Wednesday's High Court decision not to outlaw the purchase of private water company stock by Britain's 10 water authorities.

Separately, Lyonnaise des Eaux, one of three large French water suppliers investing in the 29 statutory water companies, announced that its recommended offers for two north-east England companies would be extended until January 11. That might give Northumbrian Water Authority time to mount counter-bids for the companies, which lie within its area of supply.

Wednesday's court judgement seemed to remove the legal obstacles to such a takeover, and Northumbrian would now have to consider whether it could justify the expense of topping the Lyonnaise offers, which are worth a total of £60.3m.

The authority would not comment on the possibility of a bid yesterday, but said it was looking urgently at its next move.

Statutory companies supply 25 per cent of the UK's water, within areas covered by the authorities.

The Water Companies Association, which represents the 28 quoted statutory water companies, initiated a judicial review into stake-building in four companies by Northumbrian and Southern water authorities. It gave a warning yesterday that any more stock purchases by the public bodies might prompt further judicial reviews.

The High Court said the purchase of water company stakes was not outside authorities' powers and that it could see no reason why a water authority should not take control of a water company. The companies believe the purpose of the 1973 Water Act is to keep them totally independent of the authorities.

At the first closing date of its agreed bids, Lyonnaise UK, a subsidiary of the French group, had received acceptances representing 15.16 per cent of Newcastle and Gateshead Water Company's voting capital, and 15.86 per cent of Sunderland and South Shields' votes.

When Lyonnaise bid for Essex and East Anglian water companies in the summer, it was able to declare the offers unconditional after the first closing date, with over 80 per cent of the companies' voting capital committed to the offers. However, in those cases Lyonnaise launched its bids from the platform of a large holding or a high level of irrevocable acceptances.

WATER COMPANY STAKES
As percentage of voting capital

THAMES WATER AUTHORITY AREA
Colne Valley Water Company
General Utilities, 28.2 per cent
SAUR Water Services, 25 per cent
Rickmansworth Water Company
SAUR, 27.72 per cent
General Utilities, 16.1 per cent
North Surrey Water Company
General Utilities, agreed bid
Lee Valley Water
General Utilities, agreed bid
Mid Southern Water Company
SAUR, 13.64 per cent, agreed bid*
General Utilities, 15 per cent
East Surrey Water Company
Associated Insurance Pension Fund, 28 per cent
SOUTHERN WATER AUTHORITY AREA
Mid Kent Water Company
Morgan Grenfell, 26 per cent
General Utilities, 15 per cent
Associated Insurance Pension Fund, 2 per cent**
Water Authorities Superann. Fund, about 7 per cent
Eastbourne Waterworks Company
Southern Water Authority, 29.9 per cent**
Associated Insurance Pension Fund, 5.3 per cent**
Equity and Law Life Assurance Soc, 28.71 per cent
Mid-Sussex Water Company
SAUR, 5.22 per cent, agreed bid*
Associated Insurance Pension Fund, 17.4 per cent**
Southern Water Authority, 14.8 per cent**
West Kent Water Company
SAUR, 15.93 per cent, agreed bid*
Associated Insurance Pension Fund, 29.9 per cent**
Southern Water Authority, 14.9 per cent**
Folkestone and District Water Company
General Utilities, agreed bid*
SAUR, 2.5 per cent
Allied Dunbar Assurance, 24 per cent
Associated Insurance Pension Fund, 9.7 per cent**
ANGLIAN WATER AUTHORITY AREA
Tendring Hundred Waterworks Company
General Utilities, 16.54 per cent, agreed bid*
East Anglian Water Company
Lyonnaise des Eaux, agreed bid
Essex Water Company
Lyonnaise des Eaux, agreed bid
SEVERN TRENT WATER AUTHORITY AREA
South Staffs Water Company
General Utilities, 23.9 per cent
Water Authorities Superann. Fund, about 1 per cent
East Worcestershire Waterworks Company
Biwater Supply agreed bid
WESSEX WATER AUTHORITY AREA
West Hampshire Water Company
Biwater, 25.19 per cent
Bristol Waterworks Company
Lyonnaise des Eaux, 18 per cent
General Utilities, 29.9 per cent
Water Authorities Superann. Fund, 5.4 per cent
NORTHUMBRIAN WATER AUTHORITY AREA
Newcastle & Gateshead
Lyonnaise UK, agreed bid*
Sunderland & South Shields
Lyonnaise UK, agreed bid*
Water Authorities Superann. Fund, about 3 per cent
WELSH WATER AUTHORITY AREA
Wrexham & East Denbighshire Water Company
SAUR, 11 per cent

General Utilities – subsidiary of Compagnie Générale des Eaux; SAUR Water Services – subsidiary of Bouygues; Lyonnaise UK – subsidiary of Lyonnaise des Eaux; Associated Insurance Pension Fund – private investment vehicle for Mr Duncan Saville, an Australian businessman. *Agreed bid not yet declared unconditional. **Stakes covered by co-operation agreement between Southern Water Authority and Associated Insurance Pension Fund

Motorola to build £20m phone plant

By Terry Dodsworth, Industrial Editor

MOTOROLA, the US electronics group, is investing £20m in a new UK manufacturing and headquarters facility at Swindon in Wiltshire to house its planned expansion into the new generation of digital mobile telephone systems.

The factory will make equipment for the pan-European digital network which is due to be launched in three years' time. Motorola has already won contracts for setting up systems elsewhere in Europe.

The company said yesterday that it expected to expand the initial workforce of 120 at the new facility to about 300 by the end of this year. Mr John Reynolds, director of operations, described the investment as part of a phased programme that would "continue to ensure Motorola as an indigenous European manufacturer of the next generation of cellular technology."

Motorola is the only non-European company to have won a substantial stake in the planned pan-European digital system, which is designed to give much greater capacity to mobile telephone networks.

The company employs a total of 10,000 people in Europe. In the UK, it has a workforce of 3,500, and it has been expanding rapidly in mobile communications, with the labour force at its facility at Stotfold, Bedfordshire, growing from 350 at the beginning of this year to 700 today.

UK NEWS

Hurd declares 'temporary' derogation from European Convention on Human Rights

UK 'not ready to comply with terror ruling'

By Charles Hodgson

BRITAIN will not comply immediately with the recent European Court of Human Rights ruling that terrorist suspects must have access to a court within four days of being detained, the Government announced yesterday.

Mr Douglas Hurd, the Home Secretary, said that while it remained the Government's wish to meet the Strasbourg court's requirement by introducing judicial review into the procedure for authorising extensions of detention under the Prevention of Terrorism legislation, more time was needed to work out with the judiciary a "practical and safe" system.

Britain would in the meantime derogate "temporarily" from the European Convention on Human Rights in respect of police powers of detention under anti-terrorism laws, Mr Hurd said. He indicated that the Government had not ruled out making the derogation permanent.

The European court ruled last month that denying suspects prompt access to a court breached the European convention. The case against the Government was brought by four men from Northern Ireland detained for periods of up to seven days under the Prevention of Terrorism Act.

Mr Hurd told MPs on the standing committee which is considering the new Prevention of Terrorism Bill that the Government would proceed with "great caution" to ensure that "a workable and credible system is in sight before deciding finally which of the routes – the judicial route or derogation – left open by the (court) judgment should be permanently selected."

He said that the derogation was justified under Article 15 of the convention which allowed such a measure "in time of war or other public emergency threatening the life of the nation."

The Government has repeatedly stressed that the seven-day detention period is necessary to give the police enough time to complete their investigations. It fears that in addition to the practical complexity of introducing judicial review, sensitive intelligence may be at risk if required to be revealed in open court.

The move was greeted with considerable unease by Labour MPs on the committee, some of whom appear to fear that the Government is preparing the way for permanent derogation from the convention. Mr Barry Sheerman, a spokesman on home affairs for the opposition Labour Party, said that the derogation clearly indicated that the Government regarded the IRA as a threat to the nation, which gave terrorism and terrorists "a status and credibility they neither merit nor deserve."

Mr Sheerman added that the decision would undermine respect for Britain among her allies and affect international co-operation against terrorism.

Ms Marjorie Mowlam, a member of Labour's frontbench Northern Ireland team, described the seven-day detention provision as "among the most unacceptable" in the Prevention of Terrorism Act. The Government had missed the chance to help restore respect for the rule of law in Northern Ireland and was demonstrating "its determination to persist in a futile policy" in the province.

● The Government is still considering whether or not to seek prosecution in the Irish courts of Mr Patrick Ryan, the former Irish priest wanted in Britain on terrorism charges, Sir Patrick Mayhew, the Attorney-General, said last night.

More than 60 potential witnesses were still being consulted by police to see whether they would be willing to travel to the Republic to give evidence against Mr Ryan.

Sir Patrick said he was in touch with Mr John Murray, his Irish counterpart, about the potential security threat to witnesses, cited by the Government as one major obstacle to bringing a case under the Irish Criminal Law (Jurisdiction) Act.

Phillips and Drew fined £50,000

By Clive Wolman

PHILLIPS and Drew Securities, the securities subsidiary of Union Bank of Switzerland, has been reprimanded and fined £50,000 by The Securities Association, the largest fine imposed by a self-regulating body under the new investor protection regime.

The firm, one of London's leading stockbroking and securities firms for more than a decade, was disciplined primarily because it failed to meet TSA's minimum capital requirements on its quarterly reporting date of July 31 this year. The shortfall of capital in the firm ran into several tens of millions of pounds.

Phillips and Drew also failed to submit quarterly returns to TSA within four weeks of July 31 as required. When management discovered that not enough capital was available, it did not inform TSA as promptly as required.

The underlying reason appears to have been that Phillips and Drew's management information and accounting systems in its settlement and administration departments were unable to cope with the scale and complexity of its new businesses.

Last November, Spicer and Oppenheim, the firm's auditors, qualified its accounts on these grounds. Problems were compounded by a change of finance director and the introduction of a new computer system, both in August.

In July and August, the firm failed to notice that 14 months of expenses payable to overseas subsidiaries, which could have been paid directly by its UBS parent, had fallen due and appeared in the firm's accounts. This altered the firm's ratio of debt to equity so that it was no longer within the minimum TSA parameters.

Management also failed to notice or take advantage of a facility which would have allowed an immediate injection of capital. Once the shortfall was discovered however, UBS immediately converted into equity some of Phillips and Drew's long-term subordinated loan stock, the terms of which also breached TSA's capital requirements.

Credit Lyonnais replaces chief of City broking arm

By Norma Cohen

CREDIT Lyonnais, the French bank, has replaced the chief executive of its UK stockbroking subsidiary, Alexanders Laing & Cruickshank Holdings (ALCH) with a senior official from within its own ranks.

Mr Christian Menard, 47, has been appointed to the newly-created post of managing director to replace Mr Mark Powell, who held the post of Chief Executive and whose resignation was said to be voluntary.

Mr Menard is a member of the senior executive of Credit Lyonnais' international division in Paris and until recently, headed the bank's UK operations.

Mr Ian Hay Davison, executive chairman of ALCH, rejected the suggestion that Credit Lyonnais wants more control over the firm, saying that the selection of Mr Menard was his own idea. "I asked to have someone from France. We have a lot to gain from closer integration."

Mr Menard has no experience in the securities industry. He has been credited, however, with turning the bank's UK branch into one of its most profitable. ALCH, like many of its competitors in London, has not been profitable this year.

The appointment comes as several clearing banks reassess their relationships with securities subsidiaries.

Banque Paribas, the French bank, recently jettisoned a substantial portion of the London stockbrokers Quilter Goodison, which it had acquired in the dash into the London securities business preceding the Big Bang deregulation of financial markets two years ago.

Credit Lyonnais bought ALCH from British and Commonwealth in mid-1988 for £75m, just months before last year's stock market crash. The French bank added capital at the time and total capital is believed to stand at around £200m.

Mr Hay Davison was hired by Credit Lyonnais earlier this year and is reviewing of ALCH's businesses with the aim of developing long-term strategy. He said that the firm is unlikely to withdraw from any of its present business sectors before the review is complete.

Mr Powell is described by former associates as among a vanishing breed of City of London gentleman. After reading divinity at Durham University, he joined his family's private client stockbroking firm, Powell, Popham and Dawes. The firm was acquired in 1977 by Laings, then a stockbroking business.

He became the first executive director of ALCH, assuming the post in early 1987 while the firm, an amalgam of several stockbroking, gilt-edged and discount house businesses, was still owned by Mercantile House.

TUC membership study poses challenge to union customs

By Charles Leadbeater, Labour Editor

A SPECIAL review body of the Trades Union Congress, Britain's labour federation, is considering a far reaching plan to introduce a form of "associate" or "protective" membership for workers in small companies.

The proposals, suggested in a paper by Mr Larry Cairns, the Scottish TUC's education officer, challenge many customs and practices at the core of traditional British unionism.

The paper says that traditional unionism is based on giving workers standardised benefits based on collective bargaining with large companies. Associate membership, however, suggests a unionism based on flexible packages of benefits tailored to the needs of individuals in small companies.

Mr Cairns' proposals shift the interpretation of where union strength lies. The strength of traditional unionism has been seen to spring from the common interests forged through work. But associate membership would rest on the common interests people have outside work.

The paper says unions have found it hard to recruit members in small companies. While union membership rose by 300,000 members a year during the 1970s, union density in sectors dominated by small companies remained almost static. By the end of the 1970s, union density in the private service sector was only 2 per cent higher than in 1948.

The figures suggest that the unions' difficulties in recruiting in small companies derives as much from their structure and outlook as from changes in attitudes wrought by the encouragement of the 'enterprise culture' by the present Conservative Government.

Mr Carins suggests that workers in small companies may fear that unions which have a power and outlook bred from dealing with large companies may threaten the future of small enterprises. Unions must shift their focus from the collective to the individual to recruit in small companies.

The main benefit of traditional union membership is the provision of collective bargaining skills. But for these skills to be exercised requires that unions are granted recognition by the employer. Mr Cairns suggests it could be uneconomic for unions to provide collective bargaining services in a myriad small companies.

The alternative is to offer a cut-price form of associate membership which would entitle union members to information related to pay bargaining. But the union would represent associate members only in legal action or appeals to industrial tribunals; not in negotiations with an employer.

Direct mail shots to the homes of associate members and union 'help shops' in main streets would be the main points of contact between associate members and their union.

Traditional union recruitment is based upon the spread of an "industrial consensus" in a workplace that a union is necessary. Associate membership would be based upon a "social consensus" spread through networks of families and friends outside work.

Tories back reform to Sunday trade law

By Michael Cassell, Political Correspondent

THE Government will face renewed pressure in the new year to tackle the reform of Sunday shopping laws, following fresh evidence that most Tory MPs believe an overhaul of existing legislation is overdue.

A poll of 165 Tory MPs made by the Young Conservatives shows that more than 90 per cent support changes to shopping laws which they claim are increasingly abused and are generally regarded as has having fallen into disrepute.

The survey findings have been passed to Mr Timothy Renton, a Home Office Minister of State, who told the Conservative Party conference in the autumn that while the Government wanted to reform trading laws it would not introduce legislation until it could be sure of a clear majority in parliament.

The Government's last attempt to reform the 40-year-old shopping laws collapsed in the House of Commons two years ago when 78 Tories voted with opposition parties to defeat the liberalising measures.

The issue was among the subjects which split representatives to the Brighton Tory conference. They voted by a majority of two to one to support reforms bringing "sense and consistency" to trading laws.

In an attempt to reconcile those who want to see restrictions on Sunday trading abolished and those who want to preserve the special nature of Sunday, Mr Renton has suggested der egulation for a fixed period of hours during the day.

Party managers realise that the issue presents the party with a paradox, given its support both for deregulation and increased competition, as well as for traditional family values.

New attempts could be made by Mr Renton in the new year to sound out the latest opinion in the Commons over likely compromise proposals. It is unlikely, however, that MPs will be asked to vote on the issue until the next parliamentary session, starting next autumn, at the earliest.

Women telecom workers start career break talks

By Our Labour Editor

BRITISH TELECOM has started talks with the Society of Telecom Executives on the introduction of a career break scheme for women managers.

The talks form part of wider discussions between the company and the union aimed at strengthening BT's equal opportunities policies to help it recruit and retain female staff.

Several clearing banks and local authorities have introduced career break schemes, which allow women to take a long break to bring up young children. The schemes guarantee that a woman will be able to resume work without damaging her career prospects.

The introduction of a career break scheme at BT would the most significant extension of the policy outside the financial services and public sectors.

Ms Beverley McGowen, the STE official responsible for the talks, said it was too early to say what form of career break might be introduced.

UK NEWS — COMPANIES BILL

IMPLICATIONS FOR AUDITORS

Over-regulated profession feared

By Richard Waters

AUDITORS fear that the companies bill published yesterday might do for them what the Financial Services Act has already done for investment businesses: create an expensive, over-regulated profession leading to higher costs for its customers.

The bill is intended to implement the European Community's eighth company law directive, which requires member states to ensure that auditors have integrity and independence and are suitably qualified.

Up to now the four UK audit bodies – the Institute of Chartered Accountants in England and Wales, Institute of Chartered Accountants Scotland, Institute of Chartered Accountants in Ireland and Chartered Association of Certified Accountants – have operated with little interference from government, even though they have needed the formal recognition of the Secretary of State.

In future they will need to submit detailed rule books to the DTI for acceptance, covering such things as how they will ensure that authorised auditors are "fit and proper" people for the job and how they will monitor and enforce compliance with their rules.

New independence rules will also need to be developed for audit firms that become companies. Up to now auditors have had to work as sole practitioners or in partnerships, but in future will be able to operate in limited companies.

The bill requires a majority of the shares and voting rights in an audit company to remain in the hands of auditors employed in the business, but leaves it to the profession to develop more stringent rules.

The contents of yesterday's bill, although generally expected, caused some concern in the accountancy profession. The bill contains detailed clauses giving the Secretary of State the power to set up a statutory body to oversee the profession if he thinks fit.

That is an idea that was floated but dropped two years ago, and its reappearance at this stage led to fears yesterday that the Government intends at some stage to create a version of the General Medical Council to oversee the auditing profession.

The wording of the bill also caused concern. For instance, it requires professional bodies to introduce rules to "secure" that auditors are fit and proper. According to the ICAEW, the largest audit body, that is impossible, and might expose professional bodies to legal action for a failure to regulate its members adequately.

The ICAEW said yesterday that it would be pressing for immunity from action in the final version of the bill.

Other apparently harsh rules include six months in jail for forgetting to append the formal title "registered auditor" to the auditor's name on a report.

OTHER PLANS

Share disclosure deadline to be cut to two days

By Clive Wolman

THE BILL will lower the threshold at which a purchaser of shares in a company has to disclose his stake.

At present, such interests have to be disclosed within five days, once they reach 5 per cent of the company's share capital. That will be lowered to two days and 3 per cent.

The Secretary of State will be empowered to amend further the disclosure thresholds as well as the definitions of "interests in shares" and some of the exemptions from disclosure.

The Bill will also introduce provisions to simplify the content of companies' annual returns to the registrar of companies.

In addition, the date by which the returns have to be delivered will no longer be linked to the company's annual meeting. Instead, the return has to be made up at least once every 12 months and must be delivered within 28 days of the date to which it is made up.

The basic test for a company to count as a subsidiary will change. At present a subsidiary is one in which a majority of equity share capital is held. That will change to a majority of voting rights.

INSOLVENCIES

Protection when market participants collapse

By Richard Waters

THE bill contains provisions to help to protect firms active in the UK's financial markets from the sort of "domino effect" that can occur when a market participant collapses.

The provisions are needed because of the uncertainty about how insolvency law operates in such situations, the Department of Trade and Industry said yesterday. As a result of the changes, the operations of markets will take precedence over the insolvency procedures.

That means that any transactions entered into by a firm, and which had entered a market's clearing system before the firm became insolvent, could proceed. The effect would be to enable financial markets to function smoothly and to protect other firms involved in the transactions.

● The rules for registering a charge over a company's assets are amended in a further section of the bill. The changes are intended to make the system "less burdensome for those who register charges," the Government said.

It will only be necessary to send details of a charge to the registrar of companies, rather than the legal instrument, as at present. Also, there will be no need to apply to the courts if a charge is delivered late or amended.

Companies Bill. HMSO. £12.30.

Lord Young: responsible for bill

MISCELLANEOUS AND GENERAL PROVISIONS

Amendment will restrict right to sue

By Clive Wolman

ONE OF the most foreshadowed sections of the Companies Bill has been the amendment to section 62 of the Financial Services Act.

This section gives investors the right to sue an investment firm for losses suffered as a result of breach in the rules of a self-regulating organisation.

The amendment will restrict the right to private investors so that other professional investment firms and institutional investors will not be entitled to sue under this section.

Other amendments include changes to the set-off provisions in bankruptcy and to the Policyholders Protection Act.

MERGERS

Voluntary notification system established

By Clive Wolman

PROCEDURES for restraining, stopping or approving mergers, which were outlined in a policy paper last March, are to be implemented by the bill.

In particular, a system for the voluntary pre-notification of a proposed merger is being established. If prior notice is given to the Director-General of Fair Trading and he decides against making any reference of the merger to the Monopolies and Mergers Commissions within the prescribed period, the merger cannot be referred. However, it must be carried out within the following six months.

The proposed merger must be publicised so that other groups can submit their views to the DGFT. It cannot go ahead during the period of consideration, which may be extended by the DGFT if required.

As an alternative to referring a merger, the Trade and Industry Secretary will be able to accept legally binding undertakings from the bidder to divest part of the merged business. That will be possible in cases where the DGFT has recommended reference of the merger on grounds such as the anti-competitive effects of having part of the merged business under common ownership. The undertakings may be enforced by civil proceedings or by an order of the Secretary of State.

Another provision will automatically prohibit any of the parties involved in a merger from buying any further shares in any of the other parties, once a merger is referred to the MMC, without the consent of the Secretary of State. That replaces the present practice of making an order.

It will become a criminal offence to give false or misleading information, knowingly or recklessly, to any of the competition authorities under the pre-notification system.

The bill will allow fees to be charged to cover the costs of monitoring and controlling mergers. Details of the fees and who will bear them will be set out in regulations.

ACCOUNTING PRACTICE

Changes designed to stamp out abuses in financial reporting

By Richard Waters

TWO OF THE most contentious areas of accounting practice – off-balance-sheet finance and accounting for acquisitions – are tackled in the Companies Bill.

The changes are designed to stamp out abuses in financial reporting that accountants have been unable to tackle.

Off-balance-sheet finance involves improving a group's financial appearance by taking liabilities and their corresponding assets out of its accounts by some artificial means.

The practice occurs in several forms. The most common method involves the creation of a dependent company which has all the hallmarks of a subsidiary but which is not legally required to be included because the group owns less-than 50 per cent of the shares.

That company then disappears from view, along with the borrowings with which it has been loaded.

To tackle that, the bill extends the definition of a subsidiary to include anything over which the group has a "dominant influence".

On accounting for acquisitions, the bill requires significantly more information about the financial effects of a takeover.

The Government said yesterday that the measure was in response to concern at "the confusing and sometimes misleading way in which some companies show the impact of acquisitions in their consolidated accounts."

Accountants fear, in effect, that current practice has enabled some acquisitive groups artificially to boost such ratios as return on assets and return on equity, as well as enhancing future profits.

The bill does not change accounting practice but requires a higher level of disclosure, designed to alert shareholders to potential abuses.

The excuse for bringing these issues into law, rather than leaving them to the accountancy profession to bring into order, is that they arise from the European Community's seventh company law directive on consolidated accounts.

However, the Government has made clear over the last year that it is not prepared to sit by and wait indefinitely for the accountants to come up with answers to these questions.

The bill gives the Secretary of State wider powers in the future to modify accounting rules by statutory instrument.

The accountants' own attack on off-balance-sheet finance hangs in the balance, after being the subject of widespread criticism earlier this year.

Furthermore, its proposed rules on takeovers, which closely mirror those contained in the bill, are unlikely to come into force before the next Companies Act renders them unneccesary.

POWERS TO OBTAIN INFORMATION

Foreign investigations allowed

By Clive Wolman

THE GOVERNMENT will be able to conduct an investigation into a company or investment business on behalf of an overseas regulatory body, wielding similar powers to those available for domestic investigations, as a result of a provision in the bill.

The underlying rationale for the powers to be granted to the Trade and Industry Secretary arises from the trend towards global financial markets and growing co-operation between regulators.

Until now, the co-operation has been based primarily on the exchange of information obtained with the assistance of the firms under scrutiny.

Last month, however, the US passed legislation allowing its securities regulators to carry out investigations on behalf of foreign regulators, and to force the firms under investigation to co-operate.

A similar power is now being given to the Secretary of State if it is satisfied that the request for assistance is for proper regulatory purposes.

He may also take into account other factors, including whether the authority requesting the assistance would reciprocate.

A firm or individual that fails to comply with such an investigation without reasonable excuse is to be made liable to penalties of up to six months in prison and a fine.

Criminal sanctions will also apply against the unauthorised disclosure of information obtained under this power. There are special safeguards for information covered by banking confidentiality.

The powers for obtaining information are being simplified and increased.

Inspectors will be able to demand information from anyone with knowledge relevant to an investigation.

Inspectors appointed under the Companies Act are to be given the same powers to enter and search premises as those afforded under the Financial Services Act.

A power is created for pre-emptive search and entry where there are grounds for suspecting that a serious offence has been committed and relevant documents may be tampered with.

Investigators will be allowed to seize not only documents but other information held in a non-legible form.

The provisions alter and extend the circumstances under which the Secretary of State may appoint inspectors and direct or terminate their work.

They will also allow him to bring civil proceedings on a company's behalf as a result of an investigation.

THE PROPERTY MARKET

Year of the banana skin

Paul Cheeseright reports on the outlook for property in 1989

Prediction is not so easy this time round. At the beginning of 1988 it did not need a genius to see that the sharp growth of the south-east property market would spread to the regions. At the end of the year the outlook for those already invested seems too good to be true.

"Too good" because the rises in values have been exceptional and cannot be expected to last indefinitely. There will be a slowing in 1989. Not a market collapse, but growth that will not be nearly as fast as the industry has experienced over the past two years.

"I believe that there will be continued growth in 1989 but nobody could suggest that it will be at the same phenomenal rate of the last couple of years."
(Peter Hunt, chairman of Land Securities)

In any case, the industry is running into the problems of success and it is not clear how or when these will be reflected in investment. But there are now sufficient uncertainties to make 1989 look like a banana-skin year.

Total returns on property, running at around 30 per cent and even higher for industrial premises, have easily outstripped equities and gilts, and the comparison could be favourable to property this year as well. There is no denying the continuing demand for space in some sectors and localities. Yet there could be casualties among the more highly geared as the higher cost of money and construction begins to bite into margins and the more optimistic development appraisals start to look shoddy.

What is at issue here is the difference between the short-term view and the long-term view. The bull market in property inevitably led to a growth in trading and speculation. It presupposed money at cheaper rates than the likely rate of rental increase. It worked on the basis that construction costs would remain constant. It assumed consistently rising rents. Of these three calculations, two – money and construction costs – have proved inaccurate. The third holds good but not everywhere. So the long-term players are going to find 1989 a much easier year than the short-term players.

The first point here is that now the high interest rates are not exceptional. Any property man with a sufficiently long memory is accustomed to working at 13 per cent. What was exceptional was the low level of money costs and the easy access to finance before summer 1988.

Certainly the larger players took steps months ago to protect themselves by raising long-term finance at fixed rates. Those who are likely to be hurt are those without such facilities. The smaller players knew that, of course. Witness the temperature at auctions once interest rates had increased.

The second point is that, as groups like Land Securities remind anybody who will listen, property is a medium- and long-term investment. That tended to be forgotten when Mountleigh was wheeling and dealing with abandon 18 months ago. Then everything which could be bought could also be sold at a profit.

If smaller and not particularly well financed companies had only to cope with higher money costs, then they probably would not have too many problems. It is the combination of higher interest rates and rising construction costs that could be the killer for some.

This state of affairs will lead to the stronger gaining strength. It would not be at all surprising if takeover pressure increased and there was a rash of smaller portfolio sales. The stronger are, of course, the long-term players. It is not for nothing that they have been arming themselves with ample cash resources.

If this scenario proves to be well scripted, then it will mark the cooling of an overheated market. And that presumably is what Mr Nigel Lawson, the Chancellor of the Exchequer, would like. The Bank of England, after all, gave public warnings about the dangers of unrestrained lending to the property sector in summer 1987 and the warning was evidently repeated when the clearing banks' chairmen had quiet talks with the Mr Robin Leigh-Pemberton, the Governor, in summer 1988.

Higher interest rates will achieve what the warnings probably failed to do, because, if the clearing banks were more restrained, then it looks as if the slack was taken up by foreign banks and by factors like increased forward funding by institutions. Availability of credit fuels development. Tighter lending damps it down.

It is at this stage, development costs apart, that the relationship of the property sector to the economy becomes trickier. The sector follows the economy, it is not a motor.

Growth forecasts for the national economy have been toned down. Inflation is abroad. The hope is that a reduction of domestic demand will push manufacturers into increasing exports, but the manufacturers complain about the strong pound. Capital investment though is expected to carry on growing.

As far as the property sector is concerned, slower economic growth and a continuation of capital investment pull against each other. Still, the outlook is for more industrial property development outside the south-east where land costs are lower but not for such extravagant investment returns – over 40 per cent in some cases – as have been seen this year.

By contrast, the fizz has already started to leave the retail market. The strain on the retailers has begun to show in the south-east and it is reasonable to expect that the frantic chasing for space will cool, especially as more and more schemes become available for letting. So the chances are that returns will drift downwards.

The regional office market is much more like the industrial market. Arguably it still has some distance to run because it too responds fairly closely to general economic movement, unlike central London with its financial services and corporate headquarters demand. The danger is that enthusiasm to meet persistent space demands in the main centres will lead to just the sort of over-supply which dogged the market in the first half of the decade.

Central London is approaching just that situation. Not the West End so much as the City, seen in relation to other planned developments like King's Cross and actual developments like London Docklands. This is familiar ground and the future of the market depends on what predictions one cares to make about the future of the financial sector.

What seems certain is that, in 1989, as a growing number of projects are completed, the balance between landlords and tenants will begin to shift. There will be extensive demand but the big space users can afford to be choosy. Happy those who have done their development appraisals at £40 per sq ft rather than at £60.

"We think there will be excellent opportunities lower down in the market in the New Year. That is evinced in the level of Stock Exchange prices."
(John Ritblat, chairman of British Land)

This situation is not changed one iota by the withdrawal of Morgan Grenfell from the securities markets. It has been known since 1986 that there would be successes and failures in the deregulated markets. The events at Morgan Grenfell may have upset the stock market, but the property share market has been lacklustre anyway – and could well continue in the same way. That is a story for another day.

COMPANY NOTICES

COMPANY NOTICES

MANAGEMENT

Arcor — the sweet taste of exports

Gary Mead explains why an Argentine confectionery maker sees foreign markets as vital to its and the country's interests

Strawberry-flavoured Zanies Fruity Chews are set to become an increasingly popular item in US supermarkets if Arcor, an Argentine company based in the small town of Arroyito in Cordoba province, has its way.

Arcor, the largest employer in Arroyito, produces a mountain — 22,000 lbs daily — of chocolates, boiled sweets, chewing gum and other children's favourites at its plant there.

With a 60 per cent share of the confectionery market in Argentina, the company is a leading exporter in a country where both governments and entrepreneurs have traditionally remained content to exploit 6 feet of topsoil for its world quality beef and cereal produce and let the weather do the rest.

That Arcor is even aware of the foreign market may come as something of a surprise to many foreign buyers who, with good cause, have come to regard the country's products as lacking in quality control and distinctly erratic in terms of supply and price.

Neither criticism is true of Arcor's high-tech spotlessly clean plant at Arroyito. That it has, by Argentine standards, made considerable inroads into a fiercely competitive foreign market, and shows every sign of further progress, owes as much to a new exporting spirit abroad in some parts of Argentina as to the quality of Arcor's high grade products.

Arcor was set up in 1951 by Fulvio Salvador Pagani, the son of an Italian immigrant. He raised capital from his father's bakery business and from a set of collaborators who still control the business.

Pagani believes Arcor has now achieved as much domestic market share as possible and that "our further development has to be in exports."

Furthermore, he thinks that "Argentina is going to solve its economic problems only with a strong increase of exports. We export to the US, Puerto Rico, Canada, Bolivia, Paraguay, Chile, and we are working on getting market shares in Italy, the Middle East and Scandinavian countries."

Over the years, Arcor's site in Arroyito has been expanded until today it covers 570,500 square feet; it also has 23 plants in 8 different provinces, as well as factories in Brazil, Uruguay and Paraguay. With almost 6,000 employees, 400 different food products, a packaging division and its own 35,000 strong dairy herd to provide milk for its confectionery, the company last year had net sales of $295m.

Arcor — which takes its name from combining Arroyito with Cordoba — is doing its level best to keep up with new technology by installing a fully automated constant flow line bought this year from Viking-Perkins in the US.

It will turn out over 2,000 pounds of sweets an hour, run by eight or nine people where previously triple that figure was needed.

With machinery from Austria, West Germany, Italy and the US, Arcor is heavily investing at a time of severe recession. Highly advanced digitally-controlled machines have been installed throughout the site, particularly in the machine-shop where repairs are carried out by Arcor staff. The Arroyito factory cushions itself from the vagaries of Argentina's power supply by maintaining its own generator.

Arcor is investing in modern machinery to give it an extra edge in export markets. Though it could continue with more labour-intensive production — the country has relatively low wage costs, though not the lowest in Latin America — it feels it cannot rely on this advantage forever and must now match the technology that already exists in the US and similarly advanced countries.

The group gets an average of 150 telephone enquiries a month from potential product purchasers; these are directed to the company by the Argentine commercial attaché in the US. It has built a pleasant modern hotel close to its Arroyito factory, where foreign and domestic customers can stay and talk business without having to drive the one hour back to Cordoba city.

Arcor has invested heavily in new manufacturing technology, including a fully-automated constant flow line, in an effort to gain a competitive edge

Despite all its investment, Pagani still worries about the obstacles facing the would-be exporter not just in today's but also in tomorrow's Argentina. "Argentina still hasn't defined clear, precise and definitive rules concerning the economy. We don't know what will happen next month or next year. We need those rules if we are going to export successfully."

The big problem has been wildly fluctuating exchange rates, which makes its daily export of 20 tonnes of sweets an unpredictable business both for producer and customer. Arcor aims at exporting 10 per cent of its total volume. It is working with US businesses in order to get into chain stores.

Arcor's sense that exports are vital for both itself and the country is a key motivation for its export department chief, Juan Carlos Zeppa. "Our exports have grown from $8m in 1986 to $12m this year. We've been exporting for 20 years so we have our own experience. The Trade Centre in New York... is very important and of course we're going to have our own stand there."

Why does he think Argentina has historically been so poor in selling its goods overseas? "I think it's partly the responsibility of business itself, which at times has talked about opening up the economy to competition, and at other times opposed it. I think our economy is excessively closed, which makes for poor competition.

"Our products, for example, have many components. Take sugar, which is obviously basic. It's more expensive here in Argentina where we produce it than in neighbouring countries which don't. We have to negotiate a special price and, to my mind, never get a real market rate. We have to buy sugar at the price which foreign buyers pay for it.

"Or take paper, another crucial element for us. Here in Argentina there are types of paper, which we have to use, with a tax on them of 40 per cent. Or the bureaucracy. To be an efficient exporter you have also to be an efficient writer of necessary bureaucratic papers for this or that state-run body, with all the consequent administrative costs.

"In a relatively well-organised business such as ours we can employ people for such activities, but a small firm can't and therefore does not have the opportunities which a more open economy would facilitate. Such obstacles make it more difficult than it is in other countries to make nimble responses to customers."

One reason why much of Argentine business is so protectionist-minded is that the state encourages it to be so. As Zeppa says: "One has to compete despite the disadvantages involved in using state-run services [such as an antiquated railway network or erratic postal service] and so therefore one tries to get protection, the highest possible in order to have a margin of security that one's investments can be recovered. That creates a protectionist mentality, which many businessmen have here; they dedicate themselves to getting that and not to looking for maximum efficiency."

Both Pagani and Zeppa point out that 40 years ago Argentina was on a par with Canada in terms of gross domestic product and other basic economic indicators. They hope not just to survive the present, apparently endless, economic stagflation, but to lead the way over an otherwise bleak horizon. If they succeed it will be thanks both to their own staying power and people like Giai, Cordoba province's Foreign Trade Minister, who is a rather uncommon type of Argentine politician.

A businessman first, a politician second

WHEN IT comes to exporting, Argentina has historically relied on its huge farming resources to provide it with foreign currency earnings. What industry has developed has tended to service the needs of the domestic market only.

However, efforts are being made to change this situation. For instance, Arcor, a confectionery manufacturer based at Arroyito in the province of Cordoba [see above], along with the province itself under its present governor, Eduardo Angeloz, the Radical Party presidential candidate, provide an example. Together, they are taking their products to the world in trade fairs and tours. More important, Angeloz is keen that both his province, and the rest of the country, should export finished goods as well as commodities.

Jose Giai is Cordoba province's Foreign Trade Minister. In a country where politicians still generally owe their position to friend and favour, Giai is a refreshing relief. Appointed from the private sector by Angeloz, and with the specific brief of increasing Cordoba's exports, Giai is still a businessman first, a politician very much later.

He has organised two foreign trade missions this year alone. The first took 60 local businessmen to Africa, the Middle East and India. A two week mission in September went to the USSR, Hungary, Italy and Spain.

Cordoba's exports grew from $278m in 1974 to $880m a decade later, a healthy expansion of 316 per cent. Giai's team forecast that by 1994, all things being equal, the province could be exporting goods worth $2.8bn.

Giai comments: "Cordoba's main advantage is that it is the only province [out of 22] which has a ministry devoted entirely to foreign trade. We work alongside the private sector, looking at the development possibility of their products. We ask them to name a representative as an adviser to the ministry and that person then becomes the nexus between private enterprise and the ministry."

Farm machinery to Nigeria, railway wagons to India, chocolates to Kuwait, are some of the initiatives flowing from both trade missions and the support from Giai's ministry. Giai's team also provides studies of foreign markets, documentation concerning the bureaucracy of exporting, as well as assistance for attendance at foreign trade fairs.

Taking a bite out of working life

Louise Kehoe on a career interruption

For Deborah Coleman, the decision to take five months off work cannot have been easy. The 35-year-old chief financial officer of Apple Computer openly admits to being a workaholic. She is also obsessive about the company. "If you cut my hand I bleed in six colours," she exclaims, referring to Apple's distinctive multicolour logo.

In the New Year, however, Coleman will resign her job and take a five month leave of absence. She will return to a lesser position as vice president of taxes and treasury, reporting to a new chief financial officer.

Coleman's aim is to find a better balance between career and personal goals. She plans to tackle her weight problem and to curb her addiction to work. Her decision came as a surprise to her colleagues, but many have expressed their support, she says.

Apple Computer has been Coleman's life for the past seven and a half years. "It is difficult for me to imagine working for another company; it would be emotionally wrenching," she says. She recalls excitedly her three years as manufacturing manager. "I was obsessed with manufacturing as a strategic weapon. I gave three years of my life to creating high quality, cost effective manufacturing for Apple."

In her latest position as chief financial officer, Coleman has handled the expanding needs of a company that has grown by 112 per cent in the past two years, from revenues of around $2bn to over $4bn.

The demands of the job have been extreme, she acknowledges. "I have paid a price in terms of my health and my personal life," she says. Now it is time to redress the balance.

The demotion on her return is self-imposed. Indeed during her tenure as CFO Coleman has reorganised Apple's financial department, deliberately creating the position that she intends to fill.

Coleman was well aware that her decision would attract wide attention, and she has made use of the interest of colleagues at Apple as well as outsiders to promote her view that rising executives should have the courage to reduce their scope of responsibilities, if necessary, in order to align personal and career goals.

"I'm regarded as a role model for many women executives at Apple," Coleman explains, although she feels her situation is common to both sexes. "I don't think it is just Apple, or just Silicon Valley," that puts so much pressure on executives, she says. "I think it is very closely related to the path of the industry you are working in. In our case it is an industry of high growth with rapid changes in product technology and markets."

While others have "dropped out" of the industry or joined smaller companies in search of an easier life, Coleman is choosing a new job at Apple.

Apple Computer's willingness to recognise Coleman's wishes and to comply with them says much about the high regard in which she is held by the company, but it also reflects the culture of the company in which personal achievement is strongly supported.

As a rising star in the top ranks of Apple's executives, however, Coleman can better afford than most to step a couple or rungs down the corporate ladder without permanently damaging her career. Other women, including those who interrupt careers to start a family, often face tougher choices.

"I'm not sure if I could have done this a few years ago," Coleman admits. Having achieved a senior executive role at Apple, however, she is confident that she will eventually reclaim a leading role in the company.

Coleman's ambition, she says, is to manage an Apple "spin-out" company, of which she expects to see several in the coming years. These companies, like Claris, the recently formed Apple software subsidiary, will be run as independent units within the "Apple Federation", she explains.

In the meantime, however, she points out that Apple's projected growth rate is so high that when she returns to work in the middle of 1989, her "reduced" financial responsibilities will in fact match those she took on two years ago when she was appointed chief financial officer. "We are going to be a $10bn corporation in the 1990s, you know," she states confidently.

TECHNOLOGY

How the flight recorders stay intact

By Della Bradshaw

THE FLIGHT recorders from Pan Am's Flight 103, which crashed in Scotland on Wednesday evening, remained intact amid the destruction because their rigorously tested construction protects them from extremes of heat and impact.

One of the two "black boxes" (which are, in fact, a highly visible orange) records sounds and the other data. To ensure that the box can withstand both impact and heat, 5,000 lb weights are dropped on all four sides and it is submitted to temperatures of up to 1,100 deg C for more than 30 minutes.

The two recorders are encased in titanium, steel or an alloy of the two. There are usually two cases with an insulating layer of fibre, foam or chemical crystal between them.

Many of the recording systems have insulating compartments which house water, or chemicals which form water when heated. As water never rises in temperature above 100 deg C (at that heat it absorbs the heat energy and evaporates into steam), it is one of the best insulators.

The tape used is plastic-based and has been specially treated to help withstand heat up to 100 deg C.

The cockpit voice recorder stores all the conversations between the flight crew and the ground staff, as well as those between individual members of the crew. In addition there is an area microphone in the cockpit which records background noise, such as the flick of a switch.

The data recorder is fitted in the tail section of the aircraft and captures such information as its height, speed and direction. It also records what other flight equipment was in use at the time of the crash.

After the recovery of the two boxes, the information is extracted and analysed on a computer.

Usually the flight data are displayed in the form of a graph, although with more modern crash investigation systems the computer can simulate a three-dimensional picture format by analysing the recorder data alongside digitally stored maps.

David Fishlock savours some of the mysteries of cullinary science

Food, curious food

Nicholas Kurti, the Oxford physicist, during a television demonstration involving a sensor-riddled soufflé, was moved to remark: "Is it not quite amazing that today we know more about the temperature distribution in the atmosphere of the planet Venus than that in the centre of our soufflé?"

Kurti, a fellow of the Royal Society, then had the notion of asking the wise men of the world's oldest academy for their observations about food and drink*. After all, as their president, Professor Sir George Porter, reminds us, the academy began more than 300 years ago as several dining clubs "at least one of which continues today as a subset of feasting fellows." A former president even referred to himself as the "corporate stomach of the society."

Eighty-five fellows responded, to which are added the thoughts of a few no longer feasting, such as Samuel Pepys, Sir Winston Churchill and Sir Stafford Cripps.

Should you pour hot tea into milk, or vice versa? On this weighty issue Dennis Crisp, the marine biologist, remarks that unboiled milk binds tannin and neutralises its bitterness. Boiled milk does not, and has its own "boiled" flavour. Put milk in the cup first and you remove the tannin's astringency without adding an extra flavour, he says.

Sir Samuel Curran, the nuclear physicist, has more seasonal — if also heretical — thoughts relating to Scotch whisky and its smell. "As a Scot I contend that we have far too little scientific knowledge of the most world-famous drink."

He cites research by the US Navy showing that Scotch runs a close second to good-quality vodka in its freedom from "heavy" alcohols — the kind which cause hangover and other side-effects. But this purity does not extend to its smell, he laments.

Curran urges a search for the offending ingredient — "a small blemish in the totality of attributes of Scotch." Once identified, he believes it could be removed without damaging the drink's essential nature. This could open entirely new markets, not least among women, he believes.

The Nobel laureate Denys Wilkinson, a chemist, relates how, marooned in the Mountains of Utah at a lodge "superbly stocked with a vast and impressive array of spiritous fluids," he won a competition to invent a new drink; one based on liquor which to many palates is rather nasty.

"My aim throughout life has been to strive for elegant simplicity," Wilkinson says. He compounded a mixture of one US tablespoonful of tequila to one drop of tabasco. This he stirred carefully to avoid aeration — "highly undesirable". Then he deep-chilled it to 263 degrees Kelvin. With elegant irony, he christened his cocktail a Brigham Young.

Kurti culled the title of his anthology from an experiment before television cameras when he served roast loin of pork, half of which he had tenderised with an injection of fresh pineapple juice. Fresh

Alan Harper

Nicholas Kurti, with an edible — and therefore not sterilised — boiled egg

(not tinned or otherwise sterilised) pineapple juice contains a powerful protein-dissolving enzyme called bromelin.

But on this occasion he wielded his hyperdermic with too much enthusiasm. Michel Roux, the chef, who was carving, remarked that the tenderising had worked almost too well and he preferred the untreated half. "But the crackling is superb."

Kurti, discoursing on the origins of the hypodermic syringe and its place in the kitchen, recommends a battery of three or four, from 2 to 20 ml capacity, with needles of 1.5 mm diameter capable of coping with puréed jam or thick sauces. With admirable economy he advises that over-tenderised areas of joint can simply be excised and mashed into paté.

A letter from Joshua Lederberg, the Californian biologist, inspired a line of research of particular topicality. He wrote: "For some years I have remarked to students that we could (almost) explain the chemistry of boiling an egg; frying was beyond us."

Richard Gardner, the Oxford cell biologist, investigated. With the aid of some neat nanotechnology from the Clarendon Laboratory, he found that the white of an egg efficiently insulated the yoke during boiling. Four minutes after immersion in boiling water, the yoke had only reached body temperature. It required 27 minutes of boiling to get the yoke up to 100 degrees C. An edible boiled egg is therefore not sterilised.

Sir Arnold Burgen, the medical scientist, writing on radiation as a way of killing microbes in food, says that although very large doses are needed to sterilise, much smaller amounts have an important effect of the potential of any organism to cause disease.

A few foods — chicken, certain shellfish, shrimps, prawns and spices — are currently quite heavily contaminated with bacteria and responsible for much gastro-intestinal upset, he says. "Irradiation therefore has the potential for considerable improvement in food hygiene."

Burgen acknowledges that public reaction to food irradiation has been "almost uniformly hostile". But he briskly dismisses the objections raised by its more vocal opponents.

The technology of the table is addressed by Joseph Keller, the Californian mathematician, who reflects learnedly on the "teapot effect" — why teapots drip. "It is simply that at the pouring lip the pressure in the liquid is lower than the pressure in the surrounding air, so the air pushes the liquid against the lip and against the outside of the pouring container." Keller has, of course, done the maths to prove it.

The chemist will harness the teapot effect to make a liquid pour cleanly from one vessel to another, using a glass stirring rod to channel the liquid. The teapot designer can avoid the problem altogether by making his spout point straight down. Comments Keller: "It's also good to have a thin or sharp lip so that the liquid is forced to leave the surface at its edge, rather than a thick rounded lip which the liquid starts flowing around and tends to continue doing."

According to Kurti, popular ideas that Bird's custard is an early example of a "convenience food" are wrong. It was born of science to beat a digestive disorder in someone who yearned for custard but could stomach neither eggs nor yeast.

This lady's husband, Alfred Bird, an analytical and retail chemist in Birmingham, came up with a formula founded on cornflower which, when mixed with milk and heated, yields "a sauce reminiscent in appearance, taste and consistency of a genuine egg-and-milk custard sauce." He also invented baking powder.

** But the Crackling is Superb. An anthology on food and drink by fellows and foreign members of the Royal Society. Edited by Nicholas and Giana Kurti, Adam Hilger.*

Converting coal to natural gas

BRITISH Gas has successfully completed a three-year £9m experimental programme to establish the feasibility of making substitute natural gas from coal, using hydrogenation.

The work was carried out with Osaka Gas of Japan. A second stage, costing £4.5m, has been started to bring the process nearer to full-scale commercial operation.

For British Gas, the process is an insurance policy against the depletion of North Sea supplies and their eventual termination. Coal deposits will last a lot longer and the company has been seeking efficient ways of conversion to gas.

There will be no return to the old-style gasworks. At the heart of the process is a novel high pressure reactor developed at the company's Midlands Research Station (MRS) at Solihull.

Basically, the reactor makes coal dust (carbon) combine with hydrogen to give methane. Pressures of 60 atmospheres and temperatures up to 1,000 deg C are involved in a continuous process chamber, in which coal dust is injected pneumatically along with hydrogen. The resulting process is self-sustaining from the heat point of view since it is exothermic (produces heat).

A particular achievement has been in preventing the dust, which becomes sticky when first heated, from coming into contact with any surfaces before its conversion.

Unconsumed coal char leaves from the bottom of the chamber and is used in a steam/oxygen flow gasifier to make the hydrogen for the process.

With suitable coal quality and the right levels of pressure, temperature, hydrogen input and time in the reactor, nearly 50 per cent of the coal by weight is turned into methane.

Liquid hydrocarbons are also produced, mainly benzene and napthalene.

The MRS experimental unit processes about 200 kg of coal dust per hour.

Computer to join the crew

THE ROYAL Aerospace Establishment in the UK has asked Logica, the London software and computer systems house, to develop an expert system that will take on some of the tasks of military aircrew.

The system will deal with a mass of information from radar, electronic surveillance and other sources.

Expert systems use computers to apply the same knowledge that humans use in coming to decisions about complex events.

In this case, the human operator must put together fragments of evidence from various sensors to come up with an integrated mental picture of a developing situation.

The Logica system will capture human expertise on how to carry out the tasks. It will apply the best practices systematically and allow the operator to concentrate on higher level decision making.

Rapid increase in faxing

THE USE of facsimile machines in the UK continues to increase dramatically, according to figures released by the British Facsimile Industry Consultative Committee (BFICC).

Sales of machines in 1988 are likely to reach 200,000. In the third quarter of this year they exceeded 53,000, double the figure for the same period last year.

Lester Davies, chairman of BFICC, believes that the postal strike earlier this year increased awareness of faxing. During the strike, the unit sales rate doubled and many customers now use their machines routinely for urgent documents.

An information pack is available for those who would like to know more about the subject.

Manufacturing on a desk-top

TECHNICAL Insights, the US-based high technology and market research organisation, is forecasting significant growth in desk-top manufacturing in the next 10 years.

This type of manufacturing, which is in its infancy, allows design data held in a computer to be fed straight into a desk-top system. The object or part is made by direct processes, often involving lasers.

A report by Technical Insights, called Desk-top Manufacturing: The Next Automation Revolution, deals with a number of these techniques and their potential for quickly making complex shapes, moulds and prototypes.

In one technique, streams of plastic or metal particles are directed at a target to build up the shape, layer by layer.

In another, a laser beam solidifies a series of horizontal layers of liquid plastic so that the object is built up in a laminated form.

The value of such systems will be that an engineer or stylist will be able to create what is needed on the screen of a computer-aided design system, feed it to the manufacturing unit and have a model of the finished object on his desk in a fraction of the time that would be taken by conventional machining methods.

WORTH WATCHING

Edited by Geoffrey Charlish

European paging service

BY THE end of 1989, a European paging service covering key areas in the UK, France, West Germany and Italy should be in operation using a new, common frequency.

Subscribers will have the option of international service when they travel, at extra cost.

This follows an agreement reached at a recent Paris meeting by the national operating companies and bodies.

The UK signatory is Europage, a consortium formed by Air Call, British Telecom, Digital Mobile Telecommunications, Millicom Information Services and Racal Telecom.

CONTACTS: British Gas: London, 821 1444. Logica: London, 637 9111. BFICC: telephone 0582 490430 for fax pack. Technical Insights: US, (201) 568 4744. Europage: telephone BT Mobile, London, 388 4222.

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
23	24	25	26	27	28	29

EXHIBITIONS

London

Tate Gallery. David Hockney: A Retrospective. London's main gallery of modern art offers a full study of the golden boy of British art at the age of 50. It concentrates on the painting rather than graphic work of this most prolific of artists, who has enjoyed the most extraordinary popular success from the very start of his career, nearly 30 years ago. Ends Jan 8.

Whitechapel Art Gallery. Richard Deacon: a major exhibition of the sculpture made in the past 2 years by the young winner of the Turner Prize in 1987. Also an installation by the painter, Kate Whiteford. Daily except Mondays. Until Jan 22.

Paris

Louvre. Pavillon de Flore. Rembrandt and his school are on show in two exhibitions at the Louvre. 72 drawings constitute a panorama of Rembrandt's masterly work and can be compared with 51 drawings executed by his pupils. The other exhibition consists of 29 canvases by Rembrandtesque artists and is especially interesting in view of the recent controversy about attributions of some of Rembrandt's own paintings. Both exhibitions closed Tue, the first ends Jan 30, the second March 27. Entry from the Quai des Tuileries, opposite Pontroyal (42 60 39 26).

Chapelle de l'Ecole des Beaux Arts. From Dürer to Baselitz. Some 126 drawings lent by the Kunsthalle in Hamburg retrace the panorama of German graphic art. From the slightly rustic realism of the 15th and early 16th century, with Hans Baldung Grien's solidly built Eve and Dürer's quaintly dressed lovers, through the 19th century romanticism of Caspar David Friedrich, and on to the nightmarish contemporary images, the visual arts follow closely Germany's historical destiny. 14 rue Bonaparte (49.27.01.18). Ends Dec 31.

Brussels

Le Botanique Contemporary Soviet Painting. Works of 12 modern Soviet painters including Steinberg, Rocter, Edzgveradze, Filatov, Chvikov, Yankilevsky. Closed Monday. Ends Dec 31.

Musée d'Art Moderne, 1-2 Place Royale. The First Group of Laethem-St Martin 1899-1914. A tribute to the colony of Flemish artists whose stylised paintings of rural and religious themes were to inspire a later school of Flemish expressionists. Closed Mon. Ends Dec 31.

Musée d'Art Ancien. From Manet to Picasso: The Reader's Digest Collection. Impressionist and Post-Impressionist works from the corporate headquarters in Pleasantville, New York. Closed Monday, ends Jan.22.

Palais des Beaux-Arts, 23 rue Ravenstein-Claes Oldenburg. A Bottle of Notes and some Voyages. Sculptures, drawings and models that reach beyond the genre of Pop Art. Closed Monday. Ends Dec.30 (512 50 45)

Darmstadt

Hessisches Landesmuseum. Glassworks and paintings of the British artist Brian Clarke will be seen for the first time in Germany. He made his name with his lead glass windows, for the new Synagogue, opened this week in Darmstadt. With the blue and red coloured windows he symbolises the suffering and hopes of the Jews. Ends Jan 29.

Vienna

Albertina. Four Austrian artists who emigrated to New York before the Second World War have now returned, at least in spirit, with their work. Ends Jan 29, 1989.

Historisches Museum der Stadt Wien (The city of Vienna's Museum for history). A commemoration of Kristallnacht, which took place throughout Austria on the night of November 9 and 10 1938. This exhibition, which takes the form of slides, pictures and maps depicting Austria's 180,000 strong Jewish community before 1938, is an attempt by the Austrian Government to become more open about its ignominous past. Ends Jan 29.

Messepalast. Post-war Austrian sculptures include Alfred Hrdlicka, probably the country's most celebrated artist. His work along with several of his contempories are on display for several more weeks.

Hermes Villa. Portraits by the fin-de-siècle artists, Gustav Klimt and Emilie Floege. Ends Feb 19.

Rome

Galleria Nazionale d'Arte Moderna: Giacomo Balla: a retrospective of the futurist painter who died in Rome in 1958, aged 87. thanks to his daughters, Elica and Luce (names closely linked to the painter's futurist preoccupations), who have donated 35 of their father's paintings to the gallery, which are now added to the six already there, we get a visual biography of a particularly dramatic and eventful life. The show includes lyrical pre- and post-futurist period works, including a series of touching family portraits.(until Feb. 26th.)

Galleria Nazionale d'arte Moderna. Witty conceptual art by one of the best of the middle generation of Italian artists, Giulio Paolini, born in Genoa in 1940. Until Feb 26

Venice

Das Kunsthistorischemuseum. After months of planning, Prague um 1600 finally opened in Vienna last week. It is a marvellous exhibition showing off just how great an influence and a patron was Rudolf 11.

New York

Metropolitan Museum of Art. An exhibition of architecture on paper covers four centuries of drawings including works by Frank Lloyd Wright, Louis Comfort Tiffany and Arata Isozaki, as well as the west facade of the Alhambra that dates back to 1580. Ends Jan 8.

New York Public Library. Two millennia of Hebrew books and illuminated manuscripts feature 185 rare and beautiful works, half from the library's own collection and half borrowed from abroad. Among the rarest historic items are Dead Sea scrolls, the 13th-century Xanten bible from Germany and the Nahum Commentary. Ends Jan 14.

Chicago

Art Institute. Dante Gabriel Rossetti, J.E. Millais, Edward Burne-Jones and Simeon Solomon take centre stage for this British drawings show, called "From the Ridiculous to the Sublime," which covers a century from Thomas Rowlandson's satires through Turner, Martin and Lear to the pre-Raphaelites. Ends March.

Washington

National Gallery. Phillips Collection. The modern vision of the pastoral landscape, with works by Gainsborough, Constable, Blake, Eakins and Cezanne, among others, is part of an unprecedented 136-work, two part show, the other half of which, depicting Venictan landscapes of five centuries. Ends Jan 22.

Tokyo

Teien Museum. Paintings by Leonard Fujita (1886-1968), one of the first Japanese artists to live and work in France and his arrival in Paris in 1913 coincided with the first flowering of modernism. This representative selection of 40 oil paintings is drawn from all periods of his long career.

National Museum of Western Art. Japonisme. A major exhibition, seen earlier this year at the Grand Palais in Paris, which explores the influence of Japan on the art of the West in the late 19th century. The exhibits range from the straightforward representation of Japanese objects, or an added exotic touch in a conventional portrait – such as Monet's depiction of his wife in a red kimono – to copies of Japanese pictures and scenes from Japanese life. Closed Mondays. Ends Dec 11.

OPERA AND BALLET

London

The Royal Ballet, Covent Garden. Ashton's Cinderella marks the pantomime season (Dec 27, matinee and evening). At Sadler's Wells, that theatre's branch of the Royal Ballet presents Giselle Dec 23, 28 and 29 (no performances on Dec 24, 25 and 26).

Festival Ballet, Festival Hall, presents The Nutcracker twice daily from Dec 26

Paris

Theatre de la Ville. Merce Cunningham, who compares water to the fluidity of dance, dances in four programmes with his ever revolutionary company. (42 74 22 77).

Opera. Offenbach's Orphee aux Enfers conducted by Alain Lombard shows the joyous elegance of the Second Empire in a dazzling production by Jean-Louis Martinoty (47 42 53 71).

Theatre des Champs Elysées. The 26th International Dance Festival (Les Geants de la Danse). Altinai Assylmuratova, Jorge Donn, Sylvie Guillem,Dominique Khalfouni, Manuel Legris, Faruk Ruzimatov and Peter Schaufus dance to the choreography by Marius Petipa, Roland Petit, Maguy Marin and Maurice Bejart. The Festival continues till Jan 5th (Festival info: 47 39 28 26)

Brussels

Theatre Royal de la Monnaie. Norma (concert version) with Sharon Sweet as Norma. Sir John Pritchard conducts the chorus and orchestra of the Monnaie (20.00 Sun,Wed). 218-1211.

Tanztheater Reinhild Hoffmann of Bremen presents Callas, a dance performance based on the diva's most famous roles. 20.00 (Tues,Thurs), 22.30 (Wed). 218-1211.

Palais des Beaux-Arts. Les Ballets Russes brings dancers from the Kirov and the Bolshoi to perform scenes from Sleeping Beauty, Giselle and other works. (Tues) (512 86 78).

Vienna

Staatsoper.
Ballet: La Fille mal Gardee, conducted by Sasson, with Robert Kerns. Otello, conducted by Garcia Navarro. Cast includes Gabriele Benackova-Cap, Wladimir Atlantow, Richard Burke. La Traviata, cast includes Waltraud Winsauer, Richard Burke, Giuseppe Taddei. Salome, coneducted by Hans Wallat, with Hildegard Behrens, Helga Dernesch, Anthony Raffell. (Tel: 51444. ext. 2660).

Volksoper.
Hansel und Gretel, conducted by Diefried Bernet. Das Land des Laechelns, conducted by Rudolf Bibl. Die Fledermaus, conducted by Rudolf Bibl. Kiss me Kate, conducted by Herbert Mogg. Der Freischuetz, conducted by Konrad Leitner. Gasparone, conducted by Rudolf Bibl.(51444 ext 2662.)

Amsterdam

The National Ballet, Muziektheater, in Peter Wright's version of Giselle (Fri, Sat, Mon (2 performances), Wed (matinée), Thur) (255 455).

Madama Butterfly, Muziektheater, staged by the Netherlands Opera and directed by Monique Wagemakers. Lucas Vis conducting the Netherlands Philharmonic, with Hiroko Nishida (Cho-Cho-San), Jonathan Welch (Pinkerton), Anne Mason (Suzuki) and Henk Smit (Sharpless). (Sun, matinée) (255 455)

Rome

Teatro dell'Opera. Puccini's Manon Lescaut conducted by Daniel Oren in Alberto Fassini's production, originally done for the Turin Teatro Regio, with sets and costumes by Pasquale Grossi. The cast includes Raina Kabaivanska, Patrick Raftery, Nicola Martinucci and Mario Bolognesi (Fri and Tues) 46.17.55

Milan

Teatro alla Scala. Un-cut version of Rossini's William Tell splendidly conducted by Riccardo Muti. The excellent cast is led by Chris Merritt as Arnoldo, Giorgio Zancanaro as Tell and Cheryl Studer (replacing Lella Cuberli) as Mathilde. Luca Ronconi's production has been much criticised for his use of filmed Swiss landscapes as scenery, which tends to dwarf the action. (Fri and Wed) and Jean-Pierre Ponnelle's Pesaro festival production of Rossini's "l'Occasione fa il Ladro", conducted by Daniele Gatti, with Gloria Banditelli, Luciana Serra and Claudio Desderi. (Sat, Wed and Thurs.) (80.91.26)

Florence

Teatro Comunale. Pier-Luigi Samaritani's production of Puccini's Madame Butterfly conducted by Bruno Bartoletti, with Catherine Malfitano (Cho-Cho-San), Mario Malagnini (alternating with Richard Leech) as Pinkerton and Jonathan Summers (Sharpless). (Fri, Sun and Wed.) 2779236.

New York

Metropolitan Opera House, Lincoln Center. The first seasonal performance of Hansel and Gretel is conducted by Christof Perick; Frederica von Stade plays Hansel and Judith Blegen, Gretel. Le Nozze di Figaro is conducted by Mark Elder in his premiere season, with Roberta Alexander as Rosina, Hei-Kyung Hong as Susanna and Thomas Hampson as Almaviva. Sonja Frisell's production of Aida features Leona Mitchell in the title role, with Lando Bartolini replacing Placido Domingo

New York City Ballet, State Theatre, Lincoln Center. The 40th anniversary season features 26 works by George Balanchine, 9 by Jerome Robbins, 5 by Peter Martins, and a month of Balanchine's Nutcracker. In addition, works by Laura Dean, Eliot Feld, William Forsythe, Lar Lubovich, commissioned for this season, will be interspersed in the season, which ends Feb 26. (496 0600;

Alvin Ailey American Dance Theater, City Center. Ends Jan 1. (581 7907).

MUSIC

London

Pasadena Roof Orchestra, Christmas concert, Queen Elizabeth Hall (Fri) (01-928-3800).

Paris

Vivaldi's Seasons (Mon, Tue, Wed, Thur at 8.30 pm) at Saint-Julian-le-Pauvre Church, 1, rue Saint Julian le Pauvre (43 96 48 48)

Brussels

Brussels Festival Orchestra conducted by Robert Janssens with Greta De Reyghere, Dominique Mols (sop), Andre Gregoire (tenor) and Victor Demaiffe (bar) singing Mozart's Mass in C Minor (Fri).

Antwerp

Collegium Vocale Orchestra and Chorus conducted by Philippe Herreweghe with Peter Kooy (bass), Howard Crook (tenor) and Barbara Schlick (sop) sing Bach's Christmas Oratorio 16.00 (Tues), De Singel 25 Desguinlei (03-237-6158).

Vienna

Organ "Meditation" at the Augustinerkirche (Fri) 18.15.Christmas concert by the Boshoi Cossacks from the Don, at the Maria Treu Kirche. (Sat) 19.00.

Winer Hofburg Orchestra, Christmas concert conducted by Gert Hofbauer. Konzerthaus. (Mon) 20.30.

Rome

Teatro Ghione: (via delle fornaci, 37) Parodies of Prima Donnas of the Past: Recital by Michael Aspinall. (Thurs.) (6372294).

New York

New York Chamber Symphony conducted by Gerard Schwarz. Trevor Pinnock (harpsichord). All-Bach programme. Kaufmann Hall, 1395 Lexington Av (Mon, Tue, Thur) (427 6000)

New York Philharmonic conducted by Zubin Mehta. Glenn Dicterow (violin). Kraft, Mozart, Rimsky-Korsakov. Avery Fisher Hall, Lincoln Center (Thur) (799 9595)

New York Cornet & Sacbut Ensemble. Paul Elliot (tenor). Ludwig Senfl, Giovanni Gabrieli. Merkin Concert Hall (Thur) (362 6719).

New York String Orchestra conducted by Alexander Schneider, Rieko Aizawa (piano). Beethoven, Mozart. Carnegie Hall (Thur) (247 7800).

THEATRE

London

Single Spies (Lyttelton). Marvellously entertaining new Alan Bennett plays about Guy Burgess and Anthony Blunt, with Simon Callow and the author. Prunella Scales joins in as Her Majesty the Queen. In National Theatre repertoire until February 4 before transferring to West End (928 2252).

The Wizard of Oz (Barbican). Re-cast revival of last year's RSC Christmas show of the MGM film, scenically a treat but, like the Cowardly Lion, lacking heart. Ends Jan 14 (638 8891).

Richard II (Phoenix). Derek Jacobi in top form - petulant, funny, mellifluous - is both ideally cast and full of surprises as the monarch who exchanges trappings for knowledge. Otherwise, a production of prehistoric values, with creased tights, wimples, trumpets off and Robert Eddison as John of Gaunt (836 2294, CC 240 9661).

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing (379 6107).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair (839 5989).

The Shaughraun (Olivier). Recommended Christmas treat, as Boucicault's melodrama is given the full scenic works but is also revealed as a key Irish dramatic milestone. Fine National Theatre cast led by Stephen Rea. (928 2252). Jan 5-10, 19-21.

Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (834 1317, cc 836 2428).

Sugar Babies (Savoy). Mickey Rooney and Ann Miller repeat Broadway roles and exhibit stamina and star quality in a mixed bag of coarse burlesque sketches (836 8888).

Amsterdam

The Footsbarn Theatre with Babylon (Thur). Stadsschouwburg (24 23 11).

Eindhoven

The Footsbarn Theatre with Babylon, based on Bulgakov's Master and Margarita. Stadsschouwburg (11 11 22).

New York

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

Speed-the-Plow (Royale). David Mamet applies his ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

A Christmas Carol (Goodman). William J. Norris celebrates his tenth season as Ebenezer Scrooge with a cast of 26, directed by Michael Maggio. Ends Dec 28 (829 4141)

Tokyo

Kabuki this month celebrates the art of the Onnagata (female impersonator). At the National Theatre, 71 year old Living National Treasure, Nakamura Utaemon VI, plays one of his most famous roles, perhaps for the last time, in Meiboku Sendai Hagi (The Disputed Sucession). Performances at noon and (Wed, Fri) at 5pm (265 7411). Meanwhile, the 4.30pm programme at Kabuki-za (541 3131) features Osome Hisamatsu, with 35 year old Tamasaburo Bando, who is regarded by his large following among young Japanese girls as a paragon of grace and femininity. The 11am programme at Kabuki-za is of less interest.

Bunraku. (National Theatre). The puppet theatre is one of Japan's most refined art forms. Each doll has three operators who remain in sight of the audience throughout the performance while a narrator at the side of the stage unfolds the story to a musical accompaniment. Evening performance at 5pm (plus 12 noon at weekends): Chushingura, the famous story of the 47 loyal retainers. Matinee performance at 11am and 2pm (weekdays only): Tsubosaka, a moving tale of a blind musician and his devoted wife, ending with a beautiful dance. Ends Dec 16. (265 7411).

Noh. (Wed). A double-bill of the noh play, Kiso, and a kyogen comic interlude. Japan's most esoteric art form is not to everyone's taste, but should be experienced at least once by everyone who wants to discover why Japan will never become a "western" nation. (Most other Noh theatres are open at weekends only. Check local press for details.) National Noh Theatre (423 1331).

The Tempest. Directed by the prolific and ever-inventive Yukio Ninagawa, with music by Uzaki Ryudo. This visually enthralling production was seen at this year's Edinburgh Festival and transposes the action to Sado, Japan's own island of exile and mystery. Stylistically it draws on elements from the Noh theatre. Imperial Theatre (201 7777).

Screen king's golden Rain

Nigel Andrews tips Dustin Hoffman for top acting honours in a round-up of the seasonal cinematic releases

Ladies and gentlemen, I am just opening the gold envelope. And the winner of the 1989 Academy Award for best actor is . . . Dustin Hoffman in *Rain Man*!

All right, so Oscar night is still three months off, and *Rain Man* has not even opened in America as you read this. (It opens tonight). But I saw a preview on my recent visit to Los Angeles, and of all the Oscar-qualifying movies on show – those films pushed out into the world by the studios before the gong sounds at the year's end – this tale of an autistic savant seems designer-made for an acting prize.

What, I hear you cry, is an "autistic savant"? It is a mentally retarded person who has at least one area of startling high performance. Familiarly known as "idiot savants," they often cannot dress themselves, recognise relations or tell the time of day. But hurl a near-impossible mental mathematical challenge at them – say, 23 times 1,450 – and they will flash back the answer like a computer. (Many people believe that Hollywood studio chiefs are all autistic savants).

Directed by Barry Levinson of *Good Morning Vietnam*, *Rain Man* has Hoffman as a backward Einstein teamed up with a long-lost brother (Tom Cruise) who "kidnaps" him from a home. The movie lives dangerously. It flirts with sentimentality, skirmishes with hokem (the plot trigger is some creaky stuff about a will) and risks trivialising an obviously tragic (for some) condition.

But it works. And it works mainly through Hoffman. The physical detail of his performance is astounding. At once bunched-up and ill-coordinated – his head lolls to one side, his hands are clasped up by his collar-bone, his walk is a tripping lilt – he resembles some hybrid between bird and infant. He talks to himself; he snaps out ritual catch-lines on irrelevant occasions ("I'm an excellent driver"); he keeps a "serious injury book," making a note whenever his brother hits him or shouts; he insists on being driven half across America to buy underwear at a store he knows ("K-Mart, Cincinatti"); and he can compute the exact number of fallen toothpicks when a container is dropped on a restaurant floor.

Dustin Hoffman's characterisation is brilliantly inventive and credible. You know that it is Hoffman: but you also believe you are watching a true child of nature bounced untimely into the real world.

The Yuletide movie marquees across America glitter with names scarcely less grand than Hoffman's. We have new films starring Meryl Streep and Gene Hackman: we have the latest agony-essay from Woody Allen (you remember, the Jewish chap who used to tell jokes): we have a red-hot drama of racism from Britain's Alan Parker: we have new children's blockbusters from Disney and Spielberg: and we have a record-breaking comedy from the team which brought you *Airplane*.

This last is *The Naked Gun*, written by Jim Abrahams and Jerry and David Zucker and directed by the last-named. I saw it from the last available seat – far left in the front row of the stalls – in a packed cinema in Westwood Village. Despite the screen's resemblance to a deformed giant lozenge, I laughed myself silly – no easy feat when suffering jet-lag – at a plot culled from the team's *Police Squad* TV series and starring Leslie Nielsen, the best straight-funny man in Hollywood. I shall not spoil a single joke by relating it, at least until the film hits Britain. Enough to say that the comedy is so high-density that if you laugh at one gag you miss the next. The film is already drowning in box-office takings, having earned $9m in its first weekend.

Dustin Hoffman and Tom Cruise in *Rain Man*

Woody Allen's *Another Woman* is different. It is about as funny as a day in bed with the complete works of Schopenhauer. Agonised by a lifetime of repression and self-deception, philosophy professor Gena Rowlands reviews her life with help from a stellar supporting cast. Mia Farrow, Gene Hackman, John Houseman, Sandy Dennis and others rally round, drenched in *weltschmerz*, to stoke Miss R's misery and self-awareness. The movie lasts 80 minutes and feels like 80 years. If you want a good time, go to an Ingmar Bergman film instead.

Thumbs down, I fear, for the latest Meryl Streep movie also. In *A Cry From The Dark*, Our Lady of the Accents dons an Australian timbre to play Lindy Chamberlain of the famous dingo-steals-baby case. But the movie, directed by Fred (*Plenty*) Schepisi, turns a *cause celebre* into an cataleptic docudrama. Streep's curiously phlegmatic performance is the still centre of a movie that should, but does not, move around her.

Two other films plucked from real headlines are redder and more raw. *Mississippi Burning*, directed by Alan Parker, is based on the furore that followed the 1964 murder of three Civil Rights workers in the Deep South. Were they killed by the Ku Klux Klan? And did the local law connive? FBI men Willem Dafoe and Gene Hackman go south to sleuth, and soon it is explosion time for racial tensions as the good guys go vigilante and the bad guys go screamabout.

Though a step up from the Devil-made-me-do-it high jinks of *Angel Heart*, Parker's movie still shows a director more anxious to concuss us with hyperbole than to let truth do its unharassed work. But perhaps he had seen *A Cry From The Dark* and realised that the other extreme – pedestrian reticence – could be just as dismaying. However, there is fine photography by Peter Biziou and a superb central performance from Hackman.

The Accused is the best of these living-headline films.

Michael Jackson: pop artist turned demi-god in the film *Moonwalker*

Gang-rape victim Jodie Foster is urged by lawyer Kelly McGillis to grit her traumatic feelings, suspend her scepticism about US law and go to trial. Will justice triumph? Directed by Jonathan Kaplan, the movie combines documentary grittiness with a fast, unfussy tension worthy of the best vintage B-movies.

Amid the remaining swirl of high-gloss December movies, the glossiest is Robert Towne's *Tequila Sunrise*. The one-time screenwriter (of *Chinatown*) has turned writer-director for a snazzy crime thriller starring Mel Gibson, Michelle Pfeiffer and Kurt Russell. The dialogue is smart, the acting peppy, the plot confusing and the visuals a knockout. In short, it is *Miami Vice* for the big screen, with a modest shot of existentialism for those who fear that Towne might be selling out to rank commercialism.

Finally, Yuletide America's worst and best attempts to crowd-please. Worst: *The Land Before Time*, a Spielberg-produced animation feature about cute dinosaurs. This is so sweet that it rots the teeth and so boring (even at 60 minutes) that it rots the brain. Best: *Child's Play*, a witty and wonderful horror film about a doll which comes to life. Even five weeks into its run, this low-budget film is corralling large audiences and sending screams ricocheting around the auditorium. Expect it to reach Britain soon.

Britain should be so lucky as to have *Child's Play* – or almost any of the above movies – this Christmas. Instead our distributors, modelling their behaviour on E. Scrooge, have decided that it would be humbug to disseminate too much festive fare in the festive season.

So we have *La Boheme* (U, Barbican and Chelsea Cinemas) and *Moonwalker* (U, Warner and Cannons West End). I was refreshed recently to read that Sylvester Stallone had considered playing Puccini in a bio-pic of the composer. ("Dahh, I'm woiking on dis opera about a girl wid TB"). I wish he had come in to enliven Luigi Comencini's pitiful movie rendition of Signor P's best-loved opera. In sets that look cobbled together during a designers strike at Covent Garden, Mimi (Barbara Hendricks) and Rodolfo (Luca Canoncini, miming to the voice of indisposed Jose Carreras) exhibit all the passion of two young people who have missed the 9.50 train to Woking. The music sounded nice to my ears (conductor, James Conlon): but the acting is dire, the decor is pathetic and the director's tiny brain seems to be frozen.

Better – far better – Michael Jackson in *Moonwalker*. This is only a hi-tech, slam-bang assemblage of glorified pop promos, deploying every state-of-the-art movie process from Claymation to computer animation. But it goes at a fair lick, the music is good and Jackson – mascara, charred cowlick, nose-job and all – continues his impressive evolution from a human being into a designer demi-god.

Setting store in a nautical design

Gillian Darley admires a new Sainsbury's building

A new flagship for Sainsbury's fleet of architecturally distinguished superstores has just been launched. Almost literally of nautical interest, it is painted battleship grey, anchored by hawsers to the ground and, at one extremity at least, meets water in the shape of the Grand Union Canal in Camden, north London.

Designed by Nicholas Grimshaw, also responsible for the Financial Times's new printworks, it is, in theory, simplicity itself. From the first design discussions onwards it was determined, by architect and client together, that the new store would be a great, column-free space – in fact a market hall. Apart from the spacial qualities, visually and practically generous, it adds to the flexibility of the building, should its function change at some future date.

The shallow arc of the hall breaks cover on the Camden Street elevation, and less obviously, at the meeting with the canopied forecourt. As the Sainsbury design manual dictates there can be no natural top lighting, which gives that customary feel of supermarket claustrophobia. The Camden Road side is glazed at street level, behind the 30 check-out points, which helps to bring the shopper back into contact with the outside world, but does not solve the need for some natural lighting.

To keep the almost 40 metre span of the roof clear, it is supported by cantilevers, themselves stabilised by a series of clustered tie rods, a kind of refined columnar rhythmn echoing the wit of the bays of the domestic terracing opposite. St Michael's Church alongside is a reminder, with its Gothic Revival flying buttresses, of other ways of achieving a similar end result.

As I walked around the exterior of the store, I had a vision of another store (different chain) – in Welshpool as it happens – where the flank wall of crude "domestic" brick is punched by a "single Georgian" door case and a couple of blank "sash windows." Everybody can, I suspect nominate their own example within this genre. The triumph of the Camden store is that it is an unremittingly sophisticated structure, (for which the structural engineers, Kenchington Little & Partners, share the honours) but that it accompanies the terraces of London stock brick that surround it with good grace. The cornice heights match, and the bay widths correspond, and there the matter ends.

'The triumph of the Camden store is that it is an unremittingly sophisticated structure'

It hits this corner of Camden Town, a benighted spot as every journey up the high street reminds the passerby, with an explosion of confidence. Bouquets go to Camden planners for their immediate acceptance of the scheme, with no compromise or trim to its eventual form, and to Sainsbury's for pressing on, through the forest of clocktowers, fake city walls, turrets and the rest, with something which proposes that a superstore can be a building type in its own right – or be it not too different from a car mart and perfectly adaptable to a library or sports hall, should that be the wish of another generation.

I cannot help but cavil, though, at the dire effects of the Sainsbury design manual, a multi-volumed affair thrust into the architect's hand at the outset which tells them exactly how far their responsibilities go. As far as the graphics are concerned, the old sans seris, often in orange, is curiously at variance with Grimshaw's building, especially when seen through the glass street front. Nicholas Grimshaw, not about to bite the hand that provided such first class patronage, is non-committal about the burden of the 20-year old corporate imagery that he, together with all architects that work for Saintsbury's, has been handed. Anyway, his daughter tells him orange and yellow are on the way back – but he sounds as if he is not convinced.

It certainly must have required a hefty measure of architectural stoicism to incorporate the custard-coloured plastic shelving, rimmed in knicker pink when toiletries are on display, within a building of this clarity of structure. With Sainsbury's exemplary commitment to architectural standards, it is surely time that they hoist themselves into the present in their graphics and display, keeping to the classic, not the modish, it goes without saying.

Perhaps the easy ride that Grimshaw's architecture got from the Camden planners was assisted by Sainsbury's emphasis upon aspects of urban regeneration near to the heart of all inner city boroughs.

Planning permission for the old Aerated Bread Company site was granted in late 1985 and the development, taking up almost an entire block, includes a sizeable number of workshop units, a creche, an as yet unbuilt housing association development on land on the opposite bank of the canal, and a terrace of 11 houses for sale. These are not yet complete, but their aluminium carapaces are in situ, broken by a ground to roof height glass wall

The private market has certainly come a long way when houses as innovatory as these are judged saleable. Whether the designer squirearchy at whom they are presumably aimed will have the courage to live on a supermarket island, even a very elegant one, remains to be seen.

Peter Pan, The Musical

WIMBLEDON THEATRE

About this time of the year we realise that the British really *are* different. How else could we sit, stall by stall in a traditional theatre, clapping our hands to vow that we believe in fairies, at the behest of a 40-year-old grown-up Glaswegian female former pop singer dressed as a small boy whose mission in life was never to grow up?

But Wimbledon's *Peter Pan* isn't exactly traditional. Based on a Jerome Robbins American production, it brings Broadway and Disneyland zing to Barrie's mother-fixated masterpiece without losing any of the good lines and bringing in about 19 impressive musical numbers, with which Lulu and the cast deal with manfully, or boyfully if you like.

But is it really a children's show? Well the kids loved it, but it is obviously a show for all ages, as I realised when I saw a battalion of female panto-fans who seemed old enough to have seen Gladys Cooper's Peter in 1923.

Lulu's Peter – her second go at the role – is a long way from Gladys Cooper, about as far as Sauchiehall Street is from Kensington. This is a classless Peter – the immortal lines like death being a Great Adventure are delivered as if she means them, rather than like an oral exercise at a prep school. She sings, of course, excellently, and flies well too, scattering fairy dust like Smarties.

Captain Hook is played by Christopher Timothy. He also, in the grand tradition, doubles up as Wendy's dad. Anybody playing Hook has a tough tradition to live up to – how can you follow Charles Laughton, Ralph Richardson, Alastair Sim, Donald Wolfit or even Ron Moody? Timothy does well and if sometimes in his pirate gear he reminds you of a Yorkshire vet dressed up for a fancy dress ball then that is the fault of over-exposure and nothing to do with the actor's skills. James Hook of Eton and Balliol emerges splendidly and his "Floreat Etona" as he plunges to his death by crocodile makes young eyes wet with booing.

Michelle Thorneycoft's Wendy is nicely in tradition, the animals, crocodile, kangaroo Nana, Wendy's mum's dog nannie, perform well and unobtrusively. The pirates, redskins and the lost boys are impressive – a special mention for Patrick Jamieson's oily Starkey – and the flying scenes are perfectly handled.

I was glad that the Wimbledon production kept in the lines that reveal Barrie as a closet feminist. Who, asks Wendy, are the lost boys? Peter explains they were babies who fell out of their prams and were transported to the Neverland. "What, no girls?" says Wendy. "Oh no, girls are much too clever to fall out of their prams." For boys, girls and anyone else who doesn't want to grow up, I can recommend Wimbledon's *Peter Pan*.

Alan Forrest

Aladdin

EVERYMAN, CHELTENHAM

Though the Everyman, Cheltenham pantomime-goers shout as loud as the Sheffield bunch I heard last week, and show the same instinctive reactions to time-honoured situations that may be new to some of them, they don't have things quite so much their own way as the Northerners.

They have a more complex script to follow, to begin with, a new version of the Aladdin story written by John Doyle with some reliance on television, to which every reference is seen at once (though not always by me). When the evil Anniebizarre (as she is called here) ejects Aladdin from her life, where should he go to but a desert island, with a cargo of discs?

True, he is soon followed by everyone else, and later by a large green octopus; but the island has made its double impact, by being a Desert Island, and by suggesting a brand of sweet familiar to television viewers. The only fault I find in the script is that it opens with some important dialogue for secondary characters in a dark room, while some of the kids are still looking for their seats.

The Emperor (Michael Bott), father of Aladdin's beloved Princess, behaves, and dresses, like a gangster, and is followed by two hoodlums with violin-cases; but he is later magicked into a goodie by the Slave of the Ring, an American lady summoned by the Princess when Aladdin is exiled and Anniebizarre has the lamp. He is even entrusted with members of the audience – four adults, four juveniles – invited to take part in stage business

Aladdin (Graham Hubbard) is as male as Frank Bruno, and so can decently be fitted out with the handsome Princess of Karen Pierce-Goulding. Only Widow Twankey retains the transexual custom, and Claud Close wears the increasingly flamboyant dresses of the widow's prosperity with all the confidence of Charlie's Brazilian aunt. It is her son Wishee Washee (Colin Wakefield) who first induces the children to shout. One device is to leave a bottle of Perrier on the stage and ask for warning of its theft – genuine Perrier, mentioned in the script by name. It is, however, Central TV which is sponsoring the show.

I couldn't find much interest in the two girls Kagnee and Raycee, who make their first entry on mopeds but do nothing much the rest of the time. They are just televisual by-lines. Bad fairy Anniebizarre is played by Hilary Cromie with demonic expertise, her son Flung Dung by Robert Woolley

So here is all the usual pantomime business and a spice of contemporary novelty. It is directed with verve by John Durnin, has a wealth of good sets by Chris Crosswell and some ingenious lighting by Mike Gemson. There is original music by Catherine Jayes. One of the little girls sitting behind me announced "I'm coming again next week," as soon as the curtain fell.

B.A. Young

Cinderella

THEATRE ROYAL, BRIGHTON

The pantomime season, like the rest of Christmas, can be the best of times or the worst of times. Emboldened by exposure to Hackney Empire's *Aladdin* I ventured down to Brighton with a spring in my step, ignoring the stirring of last year's memories. As any seasoned panto-goer would immediately have pointed out, it always pays to look behind you.

With this year's *Cinderella* Paul Elliott's E&B Productions have served up a show with all the freshness and appeal of last year's turkey – which it probably is, since there was at least one tell-tale pre-election joke, and the obsession with Arthur Scargill's pits is positively ante-deluvian. From Ted Rogers' first entry as Buttons, exhorting a houseful of fidgety children to shrill, "You're number one on 3-2-1," it was clear it was going to one of those nights. But then what more could one reasonably expect from a bill topped by three troupers with a combined age approaching 200, and a dustbin?

However slickly Rogers dispenses the selection packs from his co-star Dusty Bin, he is more Sugar Daddy than Buttons to Amanda Bairstow's ingenuous Cinderella. He should, of course, have been Baron Hardup, but Bill Owen got there first, complete with wellington boots and *Last of the Summer Wine* signature tune, spouting northern quips about posh Brighton and t'pub next door – in contrast to Anna Wing's fairy godmother, who is more Queen Victoria than Albert Square.

Paul Toothill and Brian Godfrey make a professional enough job of the ugly sisters, while Caroline Dennis and Sally Taylor are leggily indistinguishable as the prince and Dandini, costumed – as is the rest of the show – with a pizzazz lacking in just about everything else. The performers do, to be fair, try their best, but barring the brief appearance of two fluffy Shetland ponies tugging a glittering silver coach, there is no magic strong enough to turn this lead balloon into a ball.

Claire Armitstead

Hogarth pictures for Cardiff

Two pictures by Hogarth have been allocated to the National Museum of Wales in Cardiff. They were accepted in lieu of tax, to the value of £1.3m, just before they were to be sold by the Hesketh family at Christie's. They were valued at around £2m.

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Hormones in a teacup

THE LONG simmering trade dispute between the US and the European Community over the use of growth hormones in meat looks set shortly to escalate into serious war over a trivial issue at a silly time.

Talks both in Brussels and at the General Agreement on Tariffs and Trade in Geneva this week have failed to produce a change of heart, either on the part of the EC, which is determined to enforce its ban on imports of meat containing hormones from January 1, or on the part of the US which is determined to retaliate. The two sides could thus quickly become embroiled in a vicious cycle of retaliation and counter-retaliation just as they ought to be seeking to patch up their differences over farm reform which led to stalemate at this month's Montreal meeting of trade ministers.

It hardly seems worth risking such a grave deterioration in transatlantic trade relations for a tiny amount of trade. The EC ban will hit US exports worth only $120m, but underlying this dispute are difficult issues of principle which has made it unusually hard to resolve.

Trade barrier

The US claims that the EC ban on hormone-injected meat constitutes a trade barrier. Because most of its farmers use hormones, its sales to the EC will be affected. The EC says it is entitled to ban hormones if that is what consumers say they want. Its position is weakened by the weight of scientific evidence suggesting that natural hormones do not constitute a health risk. As a matter of principle, however, there is no reason to deny democratic political processes the right to make choices of this kind, misguided or not.

Thus this is one of those rare disputes which goes beyond the question of trade policy to the more fundamental one of the right of democratic societies to determine their own preferences. Its trade policy relevance hangs on whether the EC ban on hormones was conceived as a trade barrier, as safety requirements sometimes are.

There is an analogy here with the US decision some years ago to impose rigorous emission standards on cars, for which the scientific justification was unproved. European motor exporters had to comply with these standards because they were applied indiscriminately to domestic and foreign manufacturers alike. Precisely the same is true of the EC hormone ban. The US would almost certainly have lost a conventional complaint under the Gatt disputes procedure because the hormone ban applies to all meat wherever it is produced.

Established rules

The US determination to impose sanctions thus flies in the face of established international rules. It is both curious that it should choose to impose such sanctions when it professes to be an ardent supporter of the Gatt system, and deeply worrying that the US should be prepared to use its recently strengthened unfair trade laws in this way.

Washington has tried to persuade the EC to have the matter examined in Geneva under the Gatt standards code, which aims to ensure that regulations on health and safety do not constitute unnecessary obstacles to trade. The EC refused this approach because of its long-standing view that the code does not cover production methods and processes but only finished products. This may have been short-sighted since the standards code, albeit imperfect, offers one of the only institutional frameworks left for resolving the dispute, but its refusal in no way justifies the US decision to impose sanctions.

When they are imposed the US sanctions should be roundly condemned as a flagrant breach of correct international behaviour. The EC, however, should resist the temptation to raise the stakes by counter-retaliation. Good trade citizenship requires that it first demand a quick ruling from the Gatt that the US sanctions infringe its rules. The EC would come out all the better if it were to show that, unlike the US, it is not prepared to consider itself above the law.

Israel's renewed coalition

THE NEW Israeli Government that was formed yesterday is a defensive arrangement in which the country's two main parties have temporarily buried their differences in order to withstand the current tide of international pressure for talks with the Palestine Liberation Organisation. It also reflects the indecisive result of the election on November 1. But it certainly does not mean that the parties and the electorate will be able to put off crucial decisions indefinitely, or that some sort of Israeli initiative towards the PLO can be ruled out until the next election is due in four years' time.

At the signing of the agreement between Labour and Likud, Mr Yitzhak Shamir, the Likud leader and Prime Minister, could not have been more explicit about why they were doing so: "We all recognised the political situation of the state of Israel obligates us at this moment to a maximum concentration of effort and forces us to work together to answer the dangers and hardships."

Response to US

He was referring to America's unexpected decision last week to launch a direct dialogue with the PLO. Yesterday's coalition agreement was the Israeli response. It ruled out talks with what almost all Israeli leaders still brand a terrorist organisation. It omitted even to mention the idea of an international peace conference which virtually the entire United Nations now agrees to be the best way of opening talks between Israel and its Arab neighbours.

On the face of it, this is scarcely encouraging for the incoming Bush administration as it considers the prospects for mounting a new peace initiative in the Middle East. Nor is the appointment to the Foreign Ministry of Mr Moshe Arens, whose professorial manner disguises a hardline approach to the occupied West Bank and Gaza Strip and their Palestinian inhabitants. Mr Shimon Peres, the Labour leader who has worked hard to present a more conciliatory face, has been marginalised on foreign policy and entrusted with the awkward problems of Israel's agricultural collectives and trade union companies.

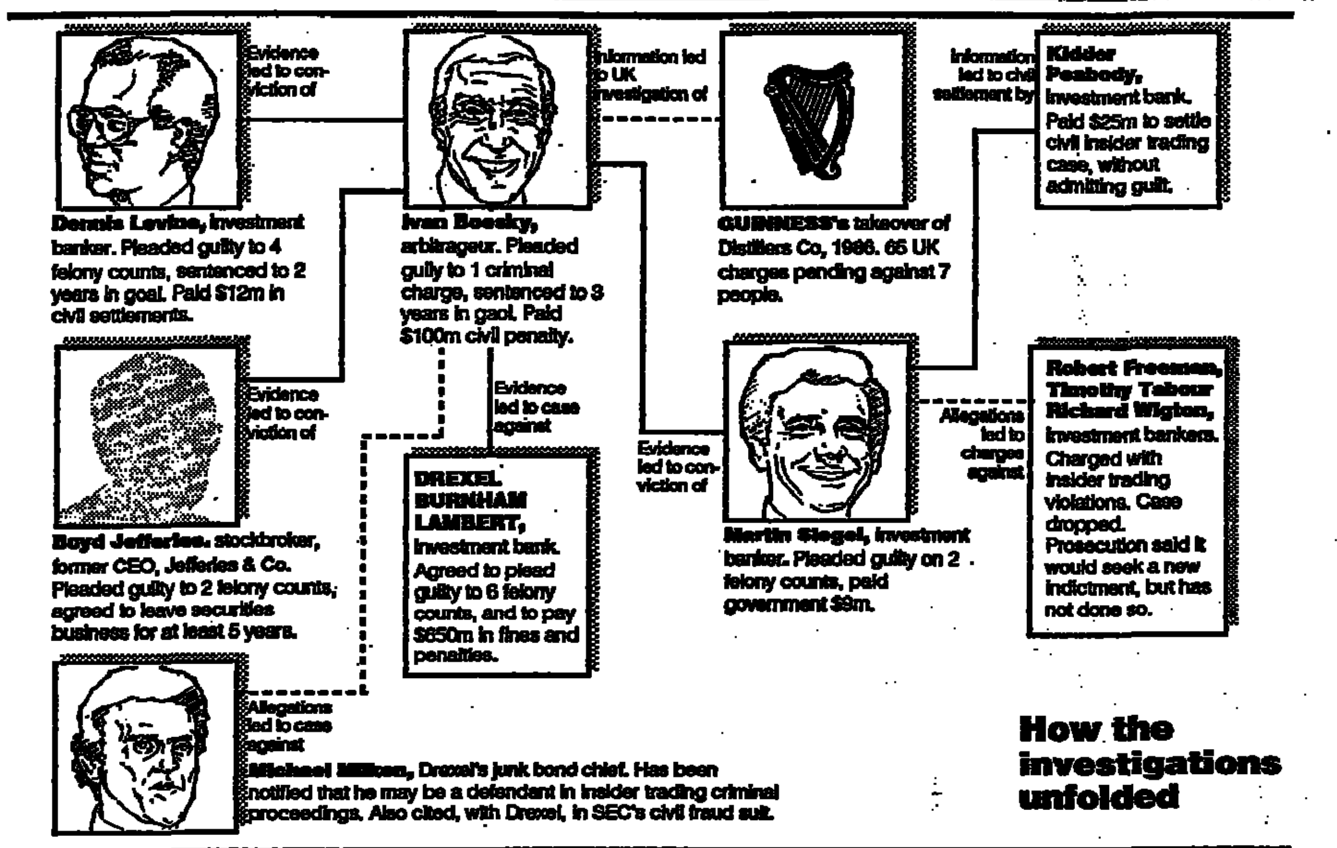
Nevertheless, the coalition agreement does represent some sort of Israeli consensus. As Mr George Shultz, Secretary of State in the outgoing US Administration, has long maintained, no Israeli Government will be cajoled into negotiations entailing substantial concessions without broad public support. His successor, Mr James Baker, will at least be dealing with a Government which – unlike the previous grand coalition – speaks with one voice on foreign policy.

Under pressure

What is more, the formation of the new Government in itself illustrates what foreign pressure on Israel can achieve. Mr Shamir's initial inclination after the election was to try to form a narrow coalition with ultra-nationalist and Orthodox parties by promising to change Israel's religious laws. When this provoked a furore in the US Jewish community, he was persuaded to woo Labour instead.

The Likud leader is well aware of the pressure his new Government will be under to reconsider its position, even if, in the American case, that pressure is expressed in oblique terms. In rejecting an international peace conference, he is already reviving a proposal that the US and Soviet Union convene something suspiciously similar to bring Israel and Jordan together. In the light of last week's American move, it is hard to imagine Washington agreeing that the PLO should be shut out of such a gathering.

The conclusion must be that if the Bush administration advances a plausible negotiating plan and sticks to it, the underlying strains in the Israeli coalition will begin to tell. And at that point, one or other of the main parties could well be tempted to withdraw, a move that under yesterday's agreement would automatically precipitate new elections. At least then the electorate might have a chance to deliver a more decisive verdict than it did on November 1.



Not too complex for investigation

James Buchan looks at the predicament of Drexel Burnham Lambert, the US investment house and junk bond specialist

When it comes to earning money on Wall Street no banker can outdo Mr Rudolph Giuliani, the US federal attorney in Manhattan.

The investment house of Drexel Burnham Lambert is due to pocket $227m (£125.5m) for its work in financing the takeover of RJR Nabisco. But on Wednesday Drexel agreed to disgorge $650m to Mr Giuliani to settle charges that it routinely broke securities laws in financing big takeovers with the high-yield securities known as junk bonds.

The $650m penalty divides into a $300m fine and $350m deposit to make good investors in companies who may have been damaged by Drexel Burnham's junk-bond and takeover business. The firm has also agreed to plead guilty to no fewer than six felonies, which would mean up to 30 years in jail if Drexel were a person. And it has abandoned its junk-bond mastermind, its greatest financier and largest private stockholder, Mr Michael Milken, to face Mr Giuliani alone. "They're going to have to co-operate to help Giuliani against Milken," said one knowledgeable but independent securities lawyer yesterday.

Every detail of this deal has been a fishbone in Drexel Burnham's throat. Mr Fred Joseph, Drexel's chief executive is a one-time amateur boxer with a studied blue-collar manner. Drexel Burnham is a fighting, bully-boy sort of firm that – quite independent of the felony plea – has pushed investment banking to the limits of civility. As late as Monday, when Mr Joseph reported that the talks with Mr Giuliani had broken down, some people in the firm were crowing at the prospect of a stand-up fight in court. Drexel Burnham's lawyers have shown their mettle with a series of footling but intensely unpleasant attacks on the judge handling the Securities and Exchange Commission's civil case against the firm.

But Mr Giuliani is just as mean. He has repeatedly threatened to bring racketeering charges against the firm, using the Racketeer Influenced and Corrupt Organisations Act, as if Drexel's bond traders and equity analysts and investment bankers and institutional salesmen and junior economists were mobsters to the last man and woman. By invoking Rico, a law passed in 1970 specifically to help Washington fight organised crime and the Mafia, he could sequestrate the company's earnings and assets even before going into court.

"Rico cases are a fast-growing industry," says Mr John Stoppelman, a securities lawyer with a practice in Washington. "It goes against 200 years of our constitutional history which says you're innocent until you're found guilty. I hate that."

But it works. In August, Mr Giuliani indicted five partners of a small securities firm, Princeton/Newport Partners, alleging they had taken part in a racketeering scheme with a Drexel Burnham trader to create false tax losses. The firm went into liquidation last month. If Mr Giuliani intended this as a terrible warning, it was not lost on Drexel Burnham's 2,200 employee stockholders or Banque Bruxelles Lambert, the firm's 25 per cent shareholder.

Already, according to Mr Joseph, Drexel Burnham has spent over $175m in lawyers' fees or on producing photocopies to feed the US Attorney's office's insatiable demand for Drexel Burnham records. He says the firm may have foregone $1.5bn – half a year's revenues – in the course of the two-year investigation. In the end, the firm was divided between those who wanted Mr Giuliani off their backs at any cost save that of losing the firm; and those who said that Drexel Burnham should stay and fight on with Michael Milken.

Loyalty to an institution or a person is at a discount on Wall Street. But from his office in Beverly Hills, far from the firm's Manhattan headquarters, Mr Milken has won loyalty. He has tied in many Drexel Burnham executives by giving them lucrative shares in partnerships that invest in his deals. Everybody knows Drexel Burnham was a run-of-the-Street operation till Mr Milken discovered a vast, untapped pool of demand for risky, corporate debt securities and set about creating the $170bn junk bond market.

Mr Milken convinced investors that the debt securities of small, new or highly-borrowed companies were not as risky as the market had thought. But such bonds carry higher interest rates than the bonds of large, blue chip companies and thus offer an attractive return. In the past five years there has been an explosion of demand for these bonds, with Mr Milken's team at Drexel Burnham by far the largest underwriter. For a while, Mike Milken was Drexel Burnham.

The tremendous conflict is best seen in Mr Joseph himself. Though he is just 51, trim and fit, and rakishly charming as ever, he has looked ever more haggard. A report in the New York Times said that at the Drexel Burnham board meeting, which approved the deal with Mr Giuliani 16 to 6, Mr Joseph was among the six to vote to stay and fight with Mr Milken. Mr Joseph could not be reached yesterday and nobody at the firm could confirm or deny this extraordinary report.

But has Drexel Burnham survived?

The first point is that Drexel Burnham can easily afford Mr Giuliani's exaction, though it is the largest ever levied on the securities industry. As a privately owned firm Drexel Burnham does not have much by way of a publicly available set of accounts, but what there is shows stockholders' equity and long-term debt of $2.185bn at the end of last year. At the peak of Mr Milken's dominance, in 1985, Drexel Burnham made about $500m in profits and was the most powerful firm on Wall Street. It is still capable of handsome profits. In the six months to June this year the firm made $111m. The decision by Kohlberg Kravis Roberts, the new owners of RJR Nabisco, to award the biggest chunk of subordinated financing for the takeover to Drexel Burnham has been a great boost to morale at the firm and promises good money for next year.

Drexel Burnham's deal with Mr Giuliani will go into effect only if the Securities and Exchange Commission agrees that it should also cover its own 184-page civil case against Drexel Burnham and Mr Milken, filed in September, which alleges fraud in no fewer than 20 takeovers. Mr Gary Lynch, the attorney who heads the commission's enforcement division, may demand some additional sanction on how the firm conducts business, including, perhaps, a new chairman above Mr Joseph. But he is expected to go along with Wednesday's deal.

Shareholders with a grievance should also find it easier to extract settlements. Mr David Berger, a Philadelphia lawyer who is bringing a group of shareholder suits involving 18 takeovers before the judge in the SEC case, says: "It just does not make any sense to plead guilty and pay up $650m without working out a resolution with the SEC and the civil suits." For these lawyers, Christmas has come early in the form of a $350m pot they will share with their clients.

Wednesday's deal with Mr Giuliani gives Drexel Burnham nationwide immunity from federal prosecution, but the states could have a field day. The federal felony charges to which Drexel has agreed to plead guilty "could be the basis for action by state regulators to suspend or revoke its (state) licences," says Mr Lee Polson, general counsel of the North American Securities Administrators Association, which represents state regulatory agencies.

Drexel Burnham's lawyers must be poring already over the precedent set three years ago by E.F. Hutton, a Wall Street firm brought to its knees when it was caught out in a large-scale abuse of bank overdrafts and eventually so demoralised that it was absorbed almost without trace by Shearson Lehman. Hutton pleaded guilty to several hundred charges, paid a $2m fine and subjected itself to an SEC-imposed overhaul of its corporate controls.

State securities commissioners formed a task force to investigate the firm's wrongdoings and the federal sanctions. Some states levied additional fines totalling about $1m but none revoked Hutton's state licence. "It would have been kind of like piling on" to a luckless player after the whistle has blown in a football game, says Mr Richard Latham, the Texas commissioner. Still, he expects to review the Drexel Burnham settlement to see if the firm's state licence should be revoked.

Yet even if Drexel survives the legal challenges, will it still have a business? In the second half of this year, Drexel Burnham was still underwriting 38 per cent of all new junk bond issues. Mr Milken enriched scores of junk bond investors, from mutual funds to thrift institutions. He helped takeover and buy-out specialists such as T. Boone Pickens, Carl Icahn, Nelson Peltz and Peter May and Henry Kravis and George Roberts ascend peaks of wealth.

In coming months, there could be mass defections of key staff from Beverly Hills and a drifting away of junk bond investors and issuers. But Mr George Roberts, the new owner of RJR along with Mr Kravis and other investors, said firmly in an interview last week: "You guys think of Mike Milken as a sort of Wizard of Oz, controlling everything and everybody. But there are 70 other people working with high yield (junk bonds) at Drexel. And we're talking about a $170bn market. It discounted Mike Milken's departure two years ago." Even if Drexel Burnham hangs on to much of its junk bond business, it will not be the free-wheeling place of the Milken-Joseph era. The SEC will see to that.

For Mr Giuliani, Wednesday's settlement is a triumph. It is three years since an anonymous, badly written letter from Merrill Lynch's office in Caracas landed at the SEC. This was the first link in a daisy-chain of people who were copying or "piggy-backing" on the trades of an obvious insider trader. He was revealed as Dennis Levine, who then informed on Ivan Boesky, who denounced Mr Milken and informed on Martin Siegel and Boyd Jefferies. Mr Siegel denounced three other arbitrageurs, against whom charges were first brought, then dropped, with the threat of renewed prosecution later; Mr Jefferies provided allegations against Paul Bilzerian, who was indicted on Tuesday. Sundry other minor figures have paraded through the courts.

The informers in this group are a prosecutors's nightmare. No US Attorney would welcome putting such self-serving witnesses before a jury. Mr Milken, Mr Bilzerian and the three arbitrageurs furiously claim they are innocent. They complain that they have been tried and found guilty in the press before getting anywhere near a courtroom.

In the course of the investigation, the prosecution has cut about every corner possible. But in unravelling this extended network, Mr Giuliani and Mr Lynch have done two important things. They have disproved Wall Street's comfortable belief that the securities industry is too complex for police work. And they have provided the country with a necessary counterpoint to five years of deafening, speculative clamour on Wall Street.

Additional reporting by Roderick Oram.

OBSERVER

Tales of the Treasury

■ Anyone looking for a little diverting holiday reading could do worse than try this week's First Report of the Treasury and Civil Service Committee on Chancellor Lawson's Autumn Statement 1988.

Not so much for the policy analysis and recommendations, though even they are quite sharp. The Committee, for example, has gone over to calling for the greater use of economic models for forecasting in a way that would have delighted a former member of the Committee, Jeremy Bray. It says that the existing model "and thus the forecasts now suffer from technical problems which require the Chancellor's urgent attention."

The real pleasure, however, is in the dialogue and especially the exchanges with the Chancellor that took place on November 30. For instance, Anthony Beaumont-Dark: "We are not an island." Lawson: "We are an island." AB-D: "We are not an island." Lawson: "I am talking in the literal sense." AB-D: "I was not."

Here is the Chancellor talking about himself: "To the comments about whether I am brilliant, or lousy, or whatever – these are matters of complete indifference to me."

Enter David Winnick, Labour MP for Walsall North: "Your days seem to be rather numbered?" Lawson: "What?" Winnick: "Your days seem to be numbered as Chancellor, do they not?" Lawson: "I think all our days are numbered, Mr Winnick – even yours."

Some of it is rather serious and the Chancellor's last word almost has a touch of Lewis Carroll: "Whether the forecasts are right or wrong, they are always internally consistent." The rest is a mixture of Toad of Toad Hall and The Importance of Being Earnest without Lady Bracknell. As I wrote, ideal holiday reading. It is available from HMSO at £12.30.

Bond's Irises

■ The mystery buyer of Van Gogh's Irises for $49m at Sotheby's, New York has turned out to be Alan Bond, the Australian financier and a man who started as a sign-painter. It now hangs in his newly completed penthouse office in Perth.

According to Reuter, Bond told reporters: "It's not just a painting. It's the most important painting in the world." It was bought by his family company, Dallhold Investments Ltd.

"Between you and me, I'm thinking of making a hostile bid for Easter"

This England

■ This week's New Statesman – or New Statesman and Society as it now is – includes a booklet of the best of This England items 1979-88 and is worth buying for that alone. Here is one from Hansard: "Much fear has been put into old age pensioners about the prospects for their bus passes. There have been slogans on all our buses. We even had the Prime Minister carried in effigy on a lorry. That misfired in Solihull High Street because people raised their hats as it went by."

There is also the tale of Netherton United, an impoverished football club in Nottinghamshire which applied to the International Monetary Fund for money. The IMF responded that it could not assist private institutions, but had a whipround among officials and sent a cheque for £25. It paid for a new ball.

Missed scoops

■ Observer's biggest miss this year took place in May. We were at a conference in Racine, Wisconsin and a man called Quayle came to join us from the neigbouring state of Indiana. A small group was having drinks after dinner when one of George Bush's top advisers said very quietly: "How would feel about being the running mate, Dan?" At first nobody heard, including Quayle. The question was repeated. Quayle laughed and seemed embarrassed. Most of us forgot about the incident. A few weeks later we realised that we had watched a little bit of history.

A similar lacuna occurred in 1983. Someone came to see me to explain in great detail that a scandal was about to break affecting Cecil Parkinson, then chairman of the Conservative Party. It seemed of no great interest to the Financial Times, would have no great effect on the markets and I promptly forgot about it. I remembered the conversation when the story broke and Parkinson resigned from office.

Panto time

■ The British panto lives – especially outside London. Norman Wisdom is packing them in to the Orchard Theatre in Dartford, Kent, as Buttons in Cinderella. His only serious rival attraction in the capital will be Jim Davidson in the same role at the Dominion in the Tottenham Court Road.

Wisdom appeals to the basic and naïve in the collective audience psyche. He and his co-star, the former Page Three model, Linda Lusardi, have already taken over £300,000 for the Orchard Box Office.

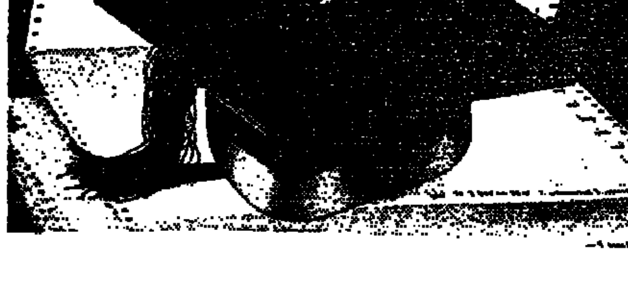
Davidson, a seasoned club performer, goes straight for the jugular and the lowest common denominator. Yet he brings out the subtle distinctions between coarseness and crudity, ageless comedy and streetwise slickness.

Striking northwards, there are such splendid troupers as Dora Bryan in Hello, Dolly in Manchester, and Christopher Biggins in Dick Whittington at the Bradford Alhambra. The money-making show goes on, and our drama critic makes absolutely no bones about his intention of spending Christmas Eve in the company of the master of them all, Ken Dodd, in Puss In Boots at the Civic Theatre, Halifax. It is all part of a peculiarly British art.

Educayshun

■ Ad in the Edgware & Mill Hill Times: "9 Times Table in 5 minutes. Tutor – Who's Who in Education, appeared on TV, published 13 articales. Has limited Vacancies. £25 per hour. Teaches Reading, Spelling, Arithmatic etc. Amazing modern technics."

Happy Christmas!



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POLITICS TODAY

Thatcherism until the end of time

By Joe Rogaly

The most significant, and worrying, development in British politics this year has been the growing acceptance of the proposition that Mrs Margaret Thatcher really will go "on and on and on" as Prime Minister. Will she fight and win just one more election, as some of her older ministers like to believe? Or will it be at least two, as the younger ones suspect? What no one is predicting is that she will step down *before* the next election; what no one can imagine is a set of circumstances that would result in the Government being turned out of office.

It could be that all of this Conservative self-assuredness is falsely based. Some unforeseeable event, or series of events, could curtail Mrs Thatcher's occupancy of No 10 Downing Street or even result in the return of a Labour or coalition government. But the "hand of fate" theory cannot be a part of any serious calculation. British political debate has thus boiled down to a simple faith that Thatcherite Conservatives are likely to be in power for a long while yet.

Everything is affected by this. The continued demoralisation of the opposition parties is now taken for granted. The Labour Party itself started the rot by behaving in such a way in the 1970s that the schism of the 1980s could not be avoided, but its position has become much worse this year. It should have improved. The party leader, Mr Neil Kinnock, ended the June 1987 election with an enhanced reputation, even though Labour did only slightly better than it had in the disastrous election of 1983. During 1988 the former Alliance parties have torn themselves apart, to the extent that last week they fought against one another in a by-election that, united, they almost certainly would have won. The Government's economic policy has, at least temporarily, gone awry. Mortgage rates are rising. The post-election honeymoon has come to an end. Yet still Labour lags in the polls.

Two obvious conclusions seem to have been drawn by most people. The first is that the Labour Party is by its very nature incapable of making the changes to its own mechanisms and policies that are necessary if it is to win votes in the south of England – while the Democrats cannot do the southern job for Labour so long as they are under attack from Mr David Owen's personal vehicle, the Social Democratic Party. The second is that Mrs Thatcher's Government is accident-proof. Its policies can be unpopular. It can slip and stumble, yet it remains unscathed. The reason is simple: nothing that could replace the Tories is even in sight.

There is, however, a third, less obvious, conclusion to be drawn: the *Thatcherites will become more ideologically driven*. They will not sink back and proclaim that having fulfilled their historic task of vanquishing socialism they see little left for them to do. If that were to happen a more emollient Toryism could return to its traditional place as the most usual form of British government. It might happen if a majority of Conservative MPs or party workers wanted it to and insisted on it, but the days when such a party revolt was on the cards are long since gone.

The result is that the only brake on the Prime Minister's revolutionary fervour is her own inbuilt sense of what her party will stand – and what it will stand becomes more Thatcherite every day. Thus you frequently hear remarks like "only five years ago anyone who proposed privatising British Steel would have been laughed out of court, yet here we are doing it, and looking forward to privatising both British Rail and the coal mines." There will be further opposition on the Tory benches to the privatisation of the water industry, but the Government believes that most of it is likely to come from the "local government brigade" – those old-style Tories who opposed the regressive aspect of the poll tax, mumbled about the abolition of the Greater London Council, and occasionally piped up against further reductions in the powers of local councils.

Most ministers are still faintly amazed at how much the Government got through parliament with so little real trouble this year. Bill after bill was seen by its critics as likely to be defeated in a late-night Commons revolt or a House of Lords rebellion, but in the end, with only the tiniest of scratches on one or two of them, they all passed, heavily claused and lightly read. *The big pieces of legislation* have all been designed in ministerial committees, many of them *ad hoc*, chaired by the Prime Minister herself.

Thus it is she who ensured that Mr Kenneth Baker's "Great Education Reform" Act contained within it sufficient powers for the minister to override the naturally non-Thatcherite tendencies of the Department of Education and the teaching profession. *She will now ensure that those powers are exercised where necessary.*

It is the Prime Minister who has made certain that Mr Douglas Hurd's proposals for broadcasting are sufficiently Thatcherite for her taste. It is she who has drawn the line between liberal, in the 19th century economists' sense, and libertarian, which is the pejorative in-word for those who oppose censorship on grounds of "taste" and "decency." Mrs Thatcher herself insisted that the privatised electricity industry be committed to the maintenance of a nuclear-generation capability, just in case the National Union of Mineworkers has to be defeated all over again.

Local Government is a similar story. One by one its powers – the monopoly control of education, say, or the administration of social services – have been curtailed, either directly or through budgetary control. The responsible minister, Mr Nicholas Ridley, is a trusted Thatcherite. He has found a way of breaking up the council estates by allowing tenants to opt out of local authority control; at the same time he has sought to revive the private rented sector through yet another housing bill. *If this goes on* for another decade, public housing in England and Wales will have dwindled to insignificance. *Labour's electoral heartland is in those estates.*

With three quarters of their revenue now under the control of Mr Ridley's department (and the Treasury), local councils have been as humbled in their way as the trade unions were in theirs. If they use the poll tax properly they might have greater autonomy in the remaining quarter of their budgets, but the net effect is to bring forward the elimination of counter-revolutionary – *that is, counter*-Thatcherite – centres of power.

The list of fundamental changes in British society does not end there. It is much longer than one article can accommodate. What is important is that the "on and on" tune that has filled the air in 1988 will make it more likely than ever that many of these changes will stick. Top-rate taxes will stay low. Social security rules will continue to be tightened. Local councillors will have to work their new system, and teachers theirs. The poll tax will be paid, even in Scotland. Schools will opt out. For everyone is aware that there is no chance of a sudden reversal of all this legislation. The Conservatives are likely to be in power until the mid-1990s at least, and probably until the end of the century. If you believe that, you work within the framework they are creating, whatever party you support.

A sensible expectation, therefore, must be that there will be more of the same. The universities may get a market system for students. Landlords will probably get an even more favourable regime in a further bill. More of everything will be privatised, or contracted-out. Day-to-day practical decisions will be made by more managers on the spot, while central control is tightened.

This likely progress of central control should concern us all, Thatcherites included. Nearly every one of the *1988 (and earlier) society-changing* bills gives ministers and their appointees whole ranges of new powers. Tenants, school governors and the like may have more freedom of choice, but where money is involved, or where the broad direction of policy is important, Whitehall's control has become stronger and more complete. The same applies to the apparent liberalisation of the Official Secrets Act, combined with the legal recognition of the MI5 security service. The ineffective Section II of the Official Secrets Act is being replaced by one that looks more liberal because wide areas are excluded, but is, in the important area *of security service activity, more* effective and hence less liberal. The MI5 bill completes the closed circle of executive supervision over potential executive misdeeds.

This, too, has been a 1988 watershed. It is still patently wrong to say that Britain is an authoritarian society. What is true, and more so at the end of the year than the beginning, is that it has the potential to become one. The ingredients are in place – an unwritten constitution, an unchecked executive, and the possibility *that continuity of power will one* day begin to erode the self-control of those who exercise it. This is something more worrying than the simple incivilities of arrogance that people are beginning to discern in some areas of Government. You have to have a very strong faith indeed in the essential goodness of human nature to believe that a second nine years of uninterrupted power would leave the *British Government untouched by* Acton's dictum.

LOMBARD

Other-worldly regulators

By Barry Riley

In freak circumstances, software engineers working on the FT's editorial production system, Edwin, picked up strange signals last weekend. They managed to capture what appears to be an FT editorial comment from a parallel universe.

IN SPITE of many appeals to reason, the Supervision of Information Board (SIB) has decided to implement its proposals to force the Financial Times to disclose its price on its front cover. We understand that it has been under pressure to accept narrow arguments based upon the centuries-old law of newsagency. But it has failed to take into account the real needs of the general public at a time when the country continues to be seriously under-newspapered.

We may be accused of pleading *a special case, given that* other forms of newspaper are already required to make such disclosures. But the present distribution system – whereby the cost of the FT is automatically deducted from pay, and is only quantified on specific request using Form 77P(2) – has proved highly satisfactory in encouraging the widespread readership of the newspaper. The benefits in terms of better industrial management, greater business efficiency and wiser personal investment cannot be directly measured but are certainly immense. Given that the country is still lagging in economic terms behind nations such as Germany and Japan, it seems strange that official regulatory bodies should adopt measures which directly threaten our competitive position.

The threat to our present circulation of some 7.25m copies is considerable. It would not have been so severe had the authorities accepted our alternative recommendation that disclosure should be in the form of a percentage of average earnings. However, for its own reasons the SIB has insisted upon the indication of a cash sum. We do not wish to be accused of scare talk, but our commercial staff, after a provisional calculation, suggest that the published cover price may need to be of the order of 45p per copy.

It is argued that the provision of this information will permit readers of newspapers to make a more informed choice of title. However, it will be all too easy for readers to be confused by the choice available. They will be tempted to conclude that a newspaper that sells for, say, 20p, will be a better buy than our own. This impression could be encouraged by unscrupulous advertising. We discount the suggestions that small circulation papers like, for instance, the Sun, could ever overtake the FT. But the scope for damage is considerable.

Nor is this all. Our industry is also under challenge from competitors using a different distribution system, the so-called "free sheets." These are directly supplied by newspaper companies, using their own representatives, and bypassing the established network of independent newsagents. The public is under the impression that these publications are free. But in fact there is a very high cost in terms of advertising expenditure which inevitably is recouped from higher prices in the shops.

It is to be regretted that the SIB failed to respond to our proposal that free sheets should be required to print on their front pages, in large red type, a statement such as "This publication is not free, but is costing you 67p a copy." Without this, the two types of newspaper are not operating on a level playing-field.

There is now a prospect that large numbers of independent newsagents will be signed up by free sheet publishers. The margins demanded by the remaining independents will rise, and the public will be forced to pay a higher price for a narrower choice.

We are aware that the SIB has made its decision under pressure from the Government. The official devotion to the concepts of free markets and competition is well-known. But it is a great pity that this extra burden has been placed upon us at this particular time. The Government should be strengthening us for the European challenge which lies ahead in 1992, not imposing an entirely unnecessary domestic upheaval upon us.

LETTERS

Dumping dilemma

From Mr Christopher Norall.

Sir, Mr Messerlin (Letters, December 15), leaves the issue of fairness in European Community anti-dumping policy to the lawyers. I would offer some lawyerly thoughts on the matter.

In one sense, EC anti-dumping procedure is as about as fair as is humanly possible. A dedicated group of officials perform Stakhanovite labours all over the world, under great pressure, frequently in circumstances which must be very disagreeable. They wrestle meticulously and scrupulously with baffling problems and mountains of data.

They are assailed by a cacophony of conflicting claims and assertions. They do not receive many bouquets of flowers; as often as not, when the Commission's work on a case is done, all parties on all sides of the matter leave the field muttering darkly of their discontent. One must suppose that the Commission's task is not a happy one. I doubt whether it would be possible to do it much better or much more even-handedly.

But there is another sense where one can call in question the fairness of the EC's anti-dumping procedures.

Dumping is an economic notion. At the risk of oversimplifying, it means either using high prices and profits in a domestic market (by implication, a closed domestic market) to subsidise sales made in an export market with low prices and profits; or selling in an export market at a loss; in both cases causing injury to an industry in the market to which the exports are made.

For better or worse, the General Agreement on Tariffs and Trade (Gatt) condemns such practices, and allows member countries to defend themselves with supplementary duties when they find that they are the victims of dumping.

Imposing such duties requires legal procedures and legal definitions. The criticism which can be made of the EC's procedures is this:

In some circumstances – notably when dealing with products which have high distribution costs – such as the consumer electronics or office products involved in recent cases against Japan and other Asian countries – the EC's rules contain a structural bias toward finding dumping. Where – from an economic or business point of view – there is no dumping, application of these rules will find significant dumping; where there is some dumping, the rules will find more.

For example, for a product having high distribution costs, it is quite possible to find a significant margin of dumping even when the prices, costs and profits of sales made in the export market are almost identical to the prices, costs and profits of sales made in the domestic market. (The complicated reasons for this bizarre phenomenon have been described in the technical literature by a number of writers, including myself.)

It is perfectly true that these rules have been emphatically endorsed as a correct interpretation of Community law by the European Court of Justice. They have also been clarified and rendered more explicit by recent changes in the relevant EC legislation. So the law is clear enough, and officials can hardly be criticised for following it.

What can be criticised is the law itself – in particular the structural bias towards finding dumping. Of course it can be – and is – defended by those in the Commission responsible for implementing it. Their defence is generally couched in terms of technical conformity with the Gatt anti-dumping code, and the technical needs of effective anti-dumping enforcement, as well as the more general points listed in Commissioner de Clercq's article of November 21.

As far as conformity with the Gatt anti-dumping code is concerned, the least that can be said is that either the EC rules are not consistent with the code, or if they are, there is an important loophole in the code: it permits countries to impose duties in the name of the Gatt's condemnation of dumping in a number of situations when, from an economic point of view, dumping is not occurring – or is occurring to a much lesser extent than that found by the investigating authorities.

Christopher Norall,
Forrester & Norall,
36 rue Joseph II,
1040 Brussels, Belgium

Plessey's action

From The Hon Lord Dervaird.

Sir, Please permit me to protest at the suggestion (Lex, December 21) that resort to the national court was "pioneering" by reason of the invocation of EEC competition law, whatever marks it may deserve for ingenuity.

From that part of the UK from which I write, the appropriate word is "plagiaristic."

In April 1986, during the course of the Argyll-Guinness battle for control of Distillers, Argyll sought in the Court of Sessions, Scotland, interim interdict against Guinness proceeding with its bid precisely on the ground that merger between Guinness and Distillers would contravene Article 86 of the Treaty of Rome (abuse of a dominant position).

On grounds largely of balance of convenience, Lord Jauncey (now Lord Jauncey of of Tulliechettle) refused to grant the order, and the bid proceeded, with results we all know. (The case is reported as *Argyll Group plc v The Distillers Company plc* 1987, Scots Law Times, 514.)

The action of Plessey in asking the UK court to apply European law on takeovers (FT, December 21, page one) did not break new ground: it merely followed a trail blazed here over two years ago.

John Murray
4 Moray Place,
Edinburgh, Scotland

'Moratoria cause more problems than they solve'

From Mr Ian Shepherdson.

Sir, A fundamental distinction must be made between unilateral suspension of debt service payments and negotiated reduction of payments ("The lessons from Chile and Peru," November 30). The effects of the eight-month Brazilian moratorium on principal and interest payments in 1987 clearly demonstrate that it is wrong to conclude that countries may gain from unilateral action.

After Brazil returned to negotiations with its commercial bank creditors, President Sarney stated that the moratorium was "the worst error we have yet committed", causing or exacerbating several problems:

- Capital flight increased and inward investment fell as the economic outlook worsened;
- The refusal of some foreign governments to continue export credit lines damaged trade;
- The deterioration of the economy meant that Brazil added only about $500m to its reserves – far less than was anticipated;
- During the period of the moratorium Brazil missed the opportunity to secure lower margins on its debt.

The recently completed financing package shows, however, that in the absence of the political will to implement a comprehensive solution to the crisis, the established orthodoxy of direct debtor-creditor negotiations to reduce the interest burden and extend maturities remains the most realistic option. Moratoria cause more problems than they solve.

Ian Shepherdson,
Loughborough University,
Leicestershire.

Rain forests in danger

From Mr Dennis Fontannaz.

Sir, Your article on regenerating Indonesia's rain forests was interesting (December 14). Peculiar to the area is a species called *Shorea*. The fat from this tree is exported all over the world, including Europe.

Europeans talk a great deal about the rain forests, and the effects of cutting them down upon (among others) the European population. Why is it then that Europeans impose penal duties – between 15 per cent and 17 per cent – on the importation of this fat? Surely this is a contradiction; a double standard which characterises the role of the developed countries towards the developing countries.

Dennis C. Fontannaz,
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Grays Place,
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FINANCIAL TIMES
Friday December 23 1988

Japanese enlist flower power in toy market

By David Churchill in London, Louise Kehoe in San Francisco and Stefan Wagstyl in Tokyo

THE JAPANESE have emerged as the major creative force in the toy market this Christmas – although you might not guess that from this year's big hit in Tokyo's toy shops.

Their customers have been taken by storm by a plastic plant standing in a flowerpot, wearing sunglasses and playing a guitar. Flower Rock comes complete with a sound sensitive device which makes it rock to pop music or wiggle when spoken to.

It could be yours for a mere Y3,800 ($31) and has proved so beguiling that more than 100,000 have been sold, despite a lack of heavy promotion out of deference to Emperor Hirohito's illness.

In the US, the Japanese company Nintendo has swept the board with its Nintendo Entertainment System, a $100-plus home video game, which has revived interest in the video games market after several years in the doldrums.

And, looking ahead already to next Christmas, Tomy, also from Japan, has made a big impression on the UK toy trade in advance of next month's major toy fair at London's Earls Court.

"Tomy has come up with some 84 new items for next Christmas, far more than any of the other major toy companies," says Mr Ken Lewis, director in charge of toys at Woolworth, the largest toy retailer in the UK.

For the second year running the markets in both the US and Europe are largely concentrating on traditional toys such as dolls, teddy bears and train sets.

"The industry has failed to come up with any new fashion toys and games such as the Cabbage Patch Dolls or Trivial Pursuit of the early to mid-1980s," says Mr Peter Eio, managing director of Lego toys in the UK.

In the US, few other electronic toys are achieving nationwide sales. Second in popularity to Nintendo is the Barbie doll which this year celebrates her 30th birthday. Barbie's creator, Mattel, attributes her continuing success to her ability to change with the times. The company believes she can act as a role model for young women in the 21st century.

Barbie, therefore, is now telling young girls that they too can aspire to professions such as medicine. Lest they become too serious, however, the new Doctor Barbie outfit comes complete with a few lacy flounces that transforms her hospital attire into an elegant evening gown.

In the UK, Nintendo has failed to make an impact. Woolworth stocked the Entertainment System last Christmas but sales were so disappointing it has not placed repeat orders this year. Toy traders believe its failure in the UK is because most British children who want to play computer games would rather use their existing home computers.

The best-selling toy in both Woolworth and Argos stores – the top two toy retailers in Britain – are a range of plastic character toys and accessories modelled after the popular Ghostbuster film and cartoon series.

Their surprise success comes as demand for other 'character' toys has fallen away this Christmas; children apparently have grown tired of role-playing with action heroes.

"We don't know why the Ghostbuster characters should have proven so popular, but we could have sold three times as many this Christmas if we'd had the stocks," says Mr Lewis.

Apart from Ghostbusters, the most popular toys and games in Woolworth have all been traditional ones. A junior carpentry set at £9.99 has also sold out and selling well are items such as toy pushchairs and prams for dolls.

Argos says that trains and car-racing sets are among its most popular items, along with pre-school toys.

Selfridges, the London department store, reports that its top-selling toy or game is a board game based on the Neighbours television series.

Other popular toys this Christmas, according to the National Association of Toy Retailers, include Scalextric car racing sets, Lego equipment, and radio-controlled cars.

Skateboards, which first came to prominence a decade ago, are also back in favour with a new generation of children this Christmas.

Back in Tokyo, also strongly in demand is a toy duck with a voice changer which quacks back when you talk to it.

Some 80,000 have been sold at Y3,900 each.

For the less extravagant, Y500 buys the same effect with a balloon filled with helium. Breathe in the gas, and you then talk like a duck for 10 seconds. Already some 2m have been sold in Japan.

Computer games are selling well, especially a car racing game, Megadrive, which comes complete with steering wheel.

For adults this Christmas, popular items include a lace handkerchief at Y50,000 or vicuna wool mens underpants at Y100,000.

Prestige drains from stubborn Papandreou

Andriana Ierodiaconou explains the fall from grace of the Greek Prime Minister

FOR Greece's 10m inhabitants and their beleaguered Socialist Government, Christmas will be arriving none too soon this year.

The prospect of a two-week respite – in Greece life does not return to normal until after the religious festival of Epiphany on January 6 – from the extraordinary political crisis that has gripped the country since the end of the summer has drawn an audible gasp of relief from all sides.

Greek politics over the past few months has veered between tragedy and farce. It has severely weakened the Socialists but so far failed to dislodge them from power. The public has faced a barrage of rumours and allegations of financial corruption involving the Government, sparked off by the filing of fraud charges last October against Mr George Koskotas, a self-made banker and press baron closely associated with the Socialists.

The mood of the times has filtered through to the art scene. Satirical revues centred on the Koskotas scandal are playing to packed houses in Athens, while one current rock tune is titled "Everybody's Taking Bribes."

On a more sombre level, five Government ministers have either resigned or been ejected from the Cabinet since the end of November, after they spoke out against corruption.

Papandreou: under pressure

Koskotas: links with Pasok

Perhaps the most hard-hitting case was that of Mr Stathis Yiotas, former Deputy Defence Minister and a respected founding member of the Socialist Party (Pasok). He quit his post accusing close friends and aides of Mr Andreas Papandreou, the Prime Minister, of involvement in financial irregularities related to defence procurement contracts and illegal arms sales.

Greeks, normally inured to political drama, have watched these developments with growing anger and perplexity. This has been no less true of Mr Papandreou's widely publicised extra-marital liaison with Ms Dimitra Liani, which came into the open during the Greek premier's stay in a London hospital for heart surgery last summer.

Initial tolerance and even sympathy among significant sections of society for the Prime Minister's relationship has all but evaporated as a result of clumsy handling of the matter since Mr Papandreou's return from London.

With the way still not clear for his divorce, the Prime Minister has taken up highly visible residence with Ms Liani in the luxury suburb of Ekali, north of Athens, in a villa donated rent-free by a Papandreou family friend.

Mrs Margaret Papandreou, the Prime Minister's American wife, has continued to use the former prime ministerial residence and Papandreou family home in the nearby suburb of Kastri as a base for political activity at the head of the feminist "Greek Women's Union" of which she is the founder.

The Prime Minister has further provoked public opinion by turning up with Ms Liani for official events, such as debates in parliament and the early December European Community summit in Rhodes. Combined with the sensitive state of his health, these events have brought about that which up to a few months ago was unimaginable – the transformation of the hitherto charismatic Mr Papandreou from his party's greatest asset into a liability.

Mr Papandreou's insistence that the events of the past months represent a plot masterminded by unidentified "domestic and foreign circles" - according to pro-government newspapers he means the CIA – has scarcely helped.

The decline in the Socialists' fortunes is nowhere more obvious than in the editorial line taken by the Greek press. Of the more than 15 newspapers published daily in Athens, among which Pasok used to enjoy a broad backing, only two or three support the Government. A bitter war of words has broken out between the two sides, with Mr Papandreou accusing the press of "lies" and "vulgarity" and the press retorting that the Prime Minister is trying to muzzle its independent voice.

The failure of the most recent attempt to unseat the Government – when the conservative and communist opposition jointly appealed to Socialist deputies to veto the 1989 state budget in parliament – means that, for the moment, the Socialists appear entrenched in power until the end of their four-year term next June.

However Mr Papandreou remains under pressure from a number of Pasok deputies to dismiss ministers whose names have in any way been associated with reports of corruption, and proceed to the polls under a new electoral system based on a fairer seat distribution for small parties.

That pressure may ease temporarily over the holidays but if Mr Papandreou could ask Father Christmas for any present at all this year, that present would surely be the return of his lost prestige.

GEC and CGE merge power divisions

By Paul Betts in Paris and Nick Garnett in London

ONE of the biggest shakeups seen in the European engineering industry was unveiled last night by General Electric Company of the UK and Compagnie Générale d'Electricité of France.

The two are merging their power generating and other heavy engineering activities to form a new company with annual sales of £4bn ($7.10bn) and 85,000 employees.

The move is part of a fundamental reshuffling in the European power and heavy engineering industries sparked by the merger last year of Brown Boveri of Switzerland with Asea of Sweden. That merger created a company with annual sales of $18bn, the sheer size of which has frightened the rest of Europe's heavy engineering industry.

The new company will include almost all of CGE's Alsthom subsidiary and cover a quarter of GEC's total existing turnover. It will be the largest power engineering company in the European Community with net assets of £800m. The two parent groups will have equal shares and also be equally represented on the new company's supervisory board.

GEC, which last month announced the formation of a joint company with Siemens of West Germany to try to take over Plessey, the UK defence and telecommunications company, is contributing its Power Group to the new business. This includes all its power station equipment, rail traction and industrial automation businesses.

The division employs 42,000 out of GEC's total labour force of 157,000 and accounted for £1.5m of the company's £5.9m turnover last year.

Alsthom, which employs 42,000 people, is France's main power station equipment supplier and biggest locomotive builder.

The GEC/CGE move appears for the time being to have halted speculation about whether the GEC-Siemens arrangement would lead to further business mergers between the British and German companies. It is possible, however that Siemens, which is a heavyweight in power generation and factory automation could be brought in as a third partner with GEC and CGE.

UK unveils plans to overhaul company law

By Clive Wolman and Nikki Tait in London

PROPOSALS for the first overhaul of company legislation for eight years were published yesterday as part a UK Government Bill – laws proposed in parliament. It also amends the methods of vetting proposed mergers and strengthens the powers of public investigators.

The central provisions of the Bill, which is to be debated first by the Lords, the upper house, are designed to implement the European Community's seventh and eighth company law directive on the consolidation of accounts and the regulation of auditors. The latter provision is unlikely to come into force until 1991, a year or more after the EC deadline.

The merger proposals lay down a procedure for allowing a company making a takeover bid to pre-notify the Office of Fair Trading and seek clearance so that there is no continuing threat of a reference of the bid to the Monopolies and Mergers Commission.

The main new investigatory power introduced by the Bill would allows the UK authorities to investigate UK-based investment firms and other companies on behalf of overseas regulators.

Such investigations will have the back-up of criminal sanctions, including imprisonment, against those that fail to co-operate. Inspectors are also to be given stronger powers to enter premises, search and seize documents, books and papers.

Most of the Bill's key contents had been well signalled in advance. They include a reduction from 5 per cent to 3 per cent in the point at which share stakes have to be disclosed, with a two day rather five day disclosure period.

Israel's coalition wins vote of confidence

By Our Foreign Staff

THE NEW Israeli coalition yesterday won a parliamentary vote of confidence and Mr Yitzhak Shamir, 73, the Prime Minister, said the Government would dedicate itself to fighting the recent diplomatic gains of the Palestine Liberation Organisation.

His right-wing Likud Party and the Labour Alignment led by Mr Shimon Peres had signed their coalition agreement earlier, ending 52 days of political infighting since the inconclusive November 1 elections.

The coalition accord makes no mention of an international Middle East peace conference – an idea favoured by most members of the United Nations – and advances no new proposals for solving the Arab-Israeli conflict.

In a policy speech to the Knesset [parliament] Mr Shamir called for direct negotiations with Jordan and with the Palestinians in the occupied territories not associated with the PLO.

The agreement rules out negotiation with the PLO and says any change in the sovereignty of the West Bank and Gaza strip would require the approval of both main parties.

At the signing ceremony for the accord, Mr Shamir said: "We all recognised the political situation of the state of Israel obliges us at this moment to a maximum concentration of effort and forces us to work together to answer the dangers and hardships."

One of the main dangers perceived by the new Government is international pressure to negotiate with the PLO following last week's decision by the US to open a direct dialogue with the organisation. Mr Shamir said that the PLO had organised a worldwide propaganda assault aimed at forcing Israel to withdraw from the West Bank and Gaza, where the PLO would establish its own state.

Mr Peres becomes Finance Minister and Vice Prime Minister.

His place at the Foreign Ministry is taken by a senior Likud politician, Mr Moshe Arens, a close associate of the Prime Minister. Mr Yitzhak Rabin of Labour remains in charge of the Defence Ministry he has run since 1984.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Dubrovnik	S	12	54	Malta	C	13	55	Rhodes	S	15	59
Algiers	S	15	59	Edinburgh	S	06	43	Manchester	R	09	48	Rio de J'o	R	27	81
Amsterdam	C	10	50	Faro	S	16	61	Manila	F	29	84	Rome	F	12	54
Athens	F	13	55	Florence	S	08	46	Melbourne	F	23	73	Salzburg	F	06	43
Bahrain	F	20	68	Frankfurt	C	06	43	Mexico City	F	23	73	San Francisco	C	12	54
Bangkok	F	33	91	Funchal	S	18	64	Miami	C	24	75	Seoul	C	04	39
Barcelona	S	14	57	Geneva	F	04	39	Milan	S	04	39	Singapore	F	31	88
Beirut	F	19	66	Gibraltar	F	16	61	Montreal	C	09	48	Stockholm	R	05	41
Belfast	F	07	45	Glasgow	R	06	43	Moscow	C	-8	18	Strasbourg	C	07	45
Belgrade	C	06	43	Guernsey	C	11	52	Munich	F	09	48	Sydney	S	25	77
Berlin	R	10	50	Helsinki	Sn	-2	28	Nairobi	R	22	72	Taipei	C	19	66
Biarritz	S	08	46	H. Kong	F	21	70	Naples	S	12	54	Tangier	S	16	61
Bombay	S	30	86	Innsbruck	F	03	37	Nassau	C	28	82	Tel Aviv	C	19	66
Bordeaux	S	08	46	Inverness	S	07	45	New Delhi	F	22	72	Tenerife	F	20	68
Brussels	C	10	50	Islamabad	R	11	52	New York	C	11	51	Tokyo	C	11	52
Budapest	C	04	39	Istanbul	C	10	50	Nice	S	13	55	Toronto	C	04	39
B. Aires	F	28	82	Jakarta	R	30	86	Nicosia	F	18	64	Tunis	C	14	57
Cairo	F	16	61	Jersey	C	10	50	Oporto	S	14	57	Valencia	S	13	55
Cape Town	-	-	-	Jo'burg	F	20	68	Oslo	F	06	43	Venice	S	04	39
Caracas	C	24	75	Lima	F	24	75	Paris	C	09	48	Vienna	C	07	45
Casablanca	S	19	66	Lisbon	F	16	61	Peking	F	08	46	Warsaw	R	04	39
Chicago	C	03	37	London	F	12	54	Prague	C	04	39	Washington	F	01	34
Cologne	C	09	48	Los Angeles	C	17	63	Reykjavik	S	-7	19	Zurich	S	05	41
Copenhagen	C	07	45	Luxembourg	C	06	43								
Corfu	F	14	57	Madrid	F	14	57								
Dallas	F	01	34	Majorca	S	15	59								
Dublin	R	09	48	Malaga	S	15	59								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

EC harmonises rules

Continued from Page 1

meeting before the launching of a bid. The proposed rules would appear to outlaw a repeat of the defensive tactics used by Societé Générale de Belgique (SGB) against Mr Carlo De Benedetti's hostile bid at the start of this year. The SGB affair that sensitised many Europeans to the conduct of takeovers.

In separate Council discussions on EC merger control, UK ministers have been pressing the Commission to examine general company law barriers to takeovers, such as the restrictions which many German companies have on voting rights attached to newly acquired shares. Yesterday the Commission confirmed that it would work on this problem.

Greece and Denmark have no national takeover rules, because such operations hardly exist there. Belgium and Luxembourg take a case-by-case approach to public bids, while France, Spain and Portugal have a statutory legal framework. The other five – the UK, Germany, Italy, the Netherlands and Ireland – rely on codes of conduct with various degrees of legal backing.

THE LEX COLUMN

GEC weaves its European web

GEC's startling proposal to put a quarter of itself together with Alsthom of France seems further illustration of two major recent developments: the scramble for position in the European electrical and electronics industry, and Lord Weinstock's blinding conversion to the principle of the joint venture. In power generation itself, the new company seems clearly intended as a response to the Asea/Brown Boveri link-up – smaller than it in world sales, though larger in the EC. And it is presumably the EC market which matters at present, if it is to become a genuine free-for-all; indeed, if the UK market loosens up with the privatisation of electricity, GEC might profit from having a wider range of equipment to supply to it.

It could be asked whether Lord Weinstock's previous doubts about joint ventures might not apply in this case, particularly since economies of scale are not immediately obvious. But there is a complex game afoot here. Should the Plessey bid succeed, GEC will be committed to a partnership with Siemens which covers most of the rest of itsmajor business areas – telecoms, defence and components, with medical electronics a possible further step. Siemens is also a major force in power generation, but GEC is seeking alliance elsewhere. The web of relationships which Lord Weinstock is constructing makes GEC safer from predators, Siemens included.

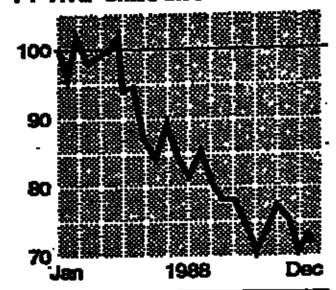
The proposal also shows GEC once more doggedly taking on the competition authorities. Since neither company is strong in the other's home market at present, there would be no scope for objection in terms of old-style merger policy. But with agreement on EC policy expected daily from Brussels, this is a bold time to be addressing the market of 1992. But the project is none the worse for that; if the EC is to permit itself a regional champion in this sector, better a confederation than a monolith.

Maxwell

Despite the talk about becoming a pure publishing company, Maxwell Communication appears to have decided not to make a clean break with printing, after all. In fairness, retaining a stake in BPCC seems sensible enough, even though it may be marginally harder in the future for MCC to command the most competitive printing rates going. The experience of Bowater with UK Paper shows the risks in letting the management take the lot; and Maxwell seems to have secured its stake on the most advantageous terms. The sudden decision to keep the newspaper printing business has a less satisfactory explanation, which presumably is more to do with an absence of buyers than any change of heart.

The price agreed for BPCC also fails to correspond with the master plan, which indiscreetly hinted at £350m. Still, in getting cash of £265m plus assets and perks, MCC has not done too badly: a p/e of almost 15 is handsome for an almost flat progression of profits. It is just as well that buyout experts are only interested in cash flow.

Maxwell Communications
Share price relative to the FT–A All–Share Index



Drexel Burnham

It is hard to underestimate the sheer scale of the settlement which Drexel Burnham Lambert, the most aggressive of the major Wall Street investment banks, has made with the US law enforcement authorities. The transgressions of rival firms like E.F.Hutton and Kidder Peabody, or the abuses which took place at Morgan Grenfell during the Guinness affair, are minor by comparison with Drexel's criminal behaviour, and the authorities have exacted an embarrassingly high price. The $650m fine is larger than the capital base of all but the top dozen or so US investment banks, and now that the Feds have marked the way, there will doubtless be plenty of others who will want to pick over the remains.

Nevertheless, Drexel has got off relatively lightly. It has avoided being treated like the Mafia and charged with racketeering offences. This would almost certainly have led to the withdrawal of much of the $30bn of short-term borrowings which it needs to continue functioning as a major firm. In addition, the penalties have been staggered over several years, thereby reducing the immediate financial pain. The initial reaction of the share price of Drexel's major shareholder, Groupe Bruxelles Lambert, and the rise in the price of arbitrage stocks with which Drexel is associated, such as RJR, demonstrates the market's perception that Drexel has been bloodied but remains unbowed.

Whether this will be the case over the longer term is a moot point. Drexel's rapid rise to power on Wall Street has been financed on the back of its successful junk bond operation, and it is hard to see how the firm could continue to carry its current size of overhead if the junk bond operations were seriously threatened by the departure of Mr Michael Milken, the architect of Drexel's phenomenal success in the field.

Tootal

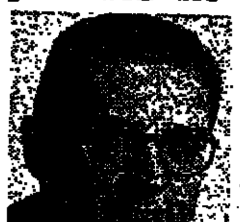
If Mr Abe Goldberg really wants to win Tootal this time he will need about three times as much money as before, and some stronger arguments. It is not clear whether he has either: in the true Australian manner, the value of his extraordinarily complex empire is almost impossible to trace though the juggling of assets between different vehicles, which themselves are public one moment, private the next. In the meantime his target has become rather tidier and more coherent, with a brand new management which has reinforced the balance sheet, made a few acquisitions and altogether provided promising material for a defence document.

Whether Tootal's shareholders did well to send Mr Goldberg packing three years ago is another matter. Looked at relative to the market as a whole, the shares are some 5 per cent lower than their 1985 peak, even after this week's rise. On the other hand, Tootal may choose to compare its performance to that of its peers in textiles, and conclude that its shares have vastly outperformed in the same period. But the main reason is that thread is a lovely defensive business when times get hard, and that China - where its links are good – is considered one of the most promising places to be. That, in turn, may be precisely why Mr Goldberg is confident that even if he does not want Tootal, there may be plenty of others who do.

FINANCIAL TIMES
COMPANIES & MARKETS
Friday December 23 1988

INSIDE

Sweeping ABB to profits in Germany



Mr Eberhard von Körber (left) is the new broom who has been sweeping clean the West German subsidiary of Asea Brown Boveri, the Swedish-Swiss engineering group. He took over as chairman at the beginning of this year and has been busy with a vigorous programme of cost reductions, rationalisation and job cuts. His aim is to bring profits at the Mannheim-based ABB subsidiary, currently less than 1 per cent of turnover, up to around 3 to 4 per cent over the next few years. That goal is a minimum target: "We will not be satisfied with it over the long term," he declares. David Marsh looks at von Körber's strategy. Page 19

Decision time for Australian gas

The next phase of the A$12bn Australian North-West Shelf natural gas project is at a critical stage, with the six partners undecided on whether the time is right to place a A$1.8bn platform over the Goodwyn field. They can meet their contract commitments from the existing North Rankin field until the late 1990s, but a delay to the Goodwyn development could dent the confidence of Japanese customers. Page 24

Life under the lazy bear

The comfortable days of the Raging Bull in Australia's stock market have given way to domination by the Lazy Bear, making 1988 a year of low volumes, choosy investors and struggling brokers. It has been a depressing time for the country's leading entrepreneurial and resource stocks but an exciting one for blue chip industrial and service companies. Now all eyes are on the new US Administration and how it plans to tackle the trade and budget deficits, writes Chris Sherwell. Page 36

Co Op rings up board change

Mr Hans Friderichs, the former West German Economics Minister and later chief executive of Dresdner Bank, was yesterday unanimously elected as new supervisory board chairman of Co op, the troubled German retailer which on Saturday sacked its entire managing board. Mr Friderichs is the choice of the four foreign banks which control over 70 per cent of Co op's shares. Page 18

Lord Hanson misses out on his £11bn Christmas present

Lord Hanson (left), chairman of the UK conglomerate that bears his name, held a Christmas party yesterday, but it failed to produce the £11bn present he had been expecting. The meeting was called to approve an extension of Hanson's borrowing powers, but insufficient votes were cast to get the motions passed immediately. Still, the mood was festive — Lord Hanson speeding through the proceedings with the air of a pantomime compère. Page 22

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Cont Gummi	266	+	3.5	Alsthom	365	+	18.4
Deut. Babcock	155	+	4.5	Telem-Elec	3860	+	260.5
Linde	774	+	14	**Falls**			
Schering	572.8	+	5.8	Cap Gemini Sog.	2415	−	53.8
Thyssen	193	+	2.1	Essilor Int.	1710	−	29.4
Falls				Pechelbronn	1046	−	23.4
Bayer Hypo. Bk.	362	−	5.5	Promodes	2530	−	75
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Detroit Edison	17⅛	+	1⅛	Yokzo Kogyo	1450	+	160
Rexham Corp.	18½	+	1½	Ohbayashi Rd.	1970	+	102
Falls				Kyushu Elec.	3730	+	330
Cummins Engine	56⅝	−	¾	Tokai Carbon	940	+	72
Loral	33½	−	⅛	**Falls**			
Philip Morris	99¾	−	⅜	Mitsui Valve	850	−	100
Texaco	51	−	½	Nihon Kagaku S.	1030	−	70

New York prices as at 12.30pm.

LONDON (Pence)							
Rises				Wilson (Con)	158	+	7
Bejam	165	+	8	**Falls**			
C'tryside Props	222	+	7	Barclays	410	−	8
Collins (Wm.) A	671	+	83	Christie Intl	618	−	13
Compass	254	+	8	Fisons	232	−	4½
Eurotunnel Uts	440	+	10	Kitty Little	83	−	10
Glaxo	210 $\frac{3}{16}$	+	$\frac{7}{16}$	Land Securities	533	−	5
GUS A	959	+	14	Owen & Robinson	325	−	40
Hambros	237	+	10	Std. Chartered	488	−	5
Maxwell Comms	185	+	3	Utd. Newspapers	383	−	16
NEI	113½	+	2½				
Tootal	121½	+	7				
Triton Europe	140	+	6				
Uniqate	329½	+	14½				

Kidnapping, law suits and heroic endeavour — it's all in the game

Louise Kehoe explains how Nintendo of Japan has taken videos back to the top of the US toy charts this Christmas

For millions of youngsters in the US, the package under the Christmas tree will this year contain a Nintendo video game system. Topping the US toy charts for the second year in a row, and already installed in one out of every three homes in Japan, this Japanese-built electronic game machine is well on its way to becoming one of the biggest toy fads of the decade.

Nintendo expects sales this year of over $1.7bn, giving it by far the largest portion of an estimated $2.3bn US market for video game systems that plug into a television set. Competitors Atari and Sega appear to be winning sales only because of shortages of Nintendo games.

This new generation of video games is far more complex than the "shoot 'em ups" and mazes of the early 1980s. One of Nintendo's biggest sellers, "The Legend of Zelda", is an adventure game in which the player fights against a series of foes to rescue a kidnapped princess. A new player will typically struggle for weeks to complete the game.

Among young Nintendo fans this accomplishment is a badge of honour.

Tips on how to play Nintendo games are published in two successful magazines, and Nintendo's US "help line" telephone service receives an average of 100,000 calls per week from young people seeking advice, but also giving the company valuable consumer feedback.

Nintendo is a far from typical Japanese consumers electronics manufacturer. Founded 99 years ago as a manufacturer of Japanese playing cards (known as Hanafuda) the company is based in Kyoto, a city known for its Buddhist temples and Shinto shrines.

Nintendo entered the electronic game market in 1980 with hand-held computer games. In 1983, the company launched the Japanese version of its home video game system which has since sold 10m units, winning over 90 per cent of the domestic market.

Nintendo entered the US market in 1986 and has quickly repeated its success, gaining an 86 per cent share of the fast growing US video game business.

However, Nintendo's dominance of this lucrative market has spawned protests, including an anti-trust suit filed in California this month by Atari Games, a computer and video game developer that is an offshoot from the original video game creator Atari Inc.

Nintendo has yet to respond to the law suit, but the action is aimed right at the heart of its strategy to prevent a recurrence of the boom and bust pattern that devastated Atari, the market leader in the early 1980s.

In the first video game craze, sales boomed to $3bn in 1982, then fell precipitously amid heavy discounting. Game cartridges that had been highly sought after at prices of $30 or more were soon piled on discount tables for as little as a dollar a piece.

Nintendo maintains that the first video game bubble burst because too many poor quality game cartridges flooded the market.

The Japanese company's strategy to prevent a repetition of the boom-bust cycle is to maintain strict controls over the game cartridge side of the business to ensure that only high quality games are published.

Although many of the games for the Nintendo system are created by third parties, both in the US and Japan, Nintendo decides which games reach consumers and insists upon manufacturing all of the game cartridges at its own plants in Kyoto.

To prevent other companies creating a third-party game market, Nintendo incorporates an "electronic lock" in its systems, a device containing a key that prevents all but its own games from playing on the system.

A worldwide shortage of memory chips has however limited Nintendo's production of game cartridges, held back profits and forced the company to delay introduction of new titles.

That has frustrated consumers and upset game developers who had hoped to earn substantial royalties on their titles.

Last week, however, Atari Games announced that it has found a way to circumvent the Nintendo "lock" and introduced three game cartridges of its own for the video game system. The Atari Games products include a new version of Pac-Man, a game that sold over 2m copies when it was first released for the Atari video game system in 1982.

The new "Nintendo-compatible" Atari Games products will create some competition for Nintendo in the US market, but are not expected to have any significant effect upon Nintendo's sales. More significant, however, is the outcome of the anti-trust suit which challenges Nintendo's ability to control the market for game cartridges that play on its machines.

Atari Games charges that Nintendo has deliberately limited competition by preventing software developers from manufacturing games independently. If this claim is upheld by the courts, then other software companies are expected to follow Atari Games' example and launch their own Nintendo-compatible games.

The fear is that such competition might result in a flood of new games, reminiscent of the 1982-83 period when video game developers and retailers over estimated demand and created a glut of unsold games just as consumer enthusiasm was cooling.

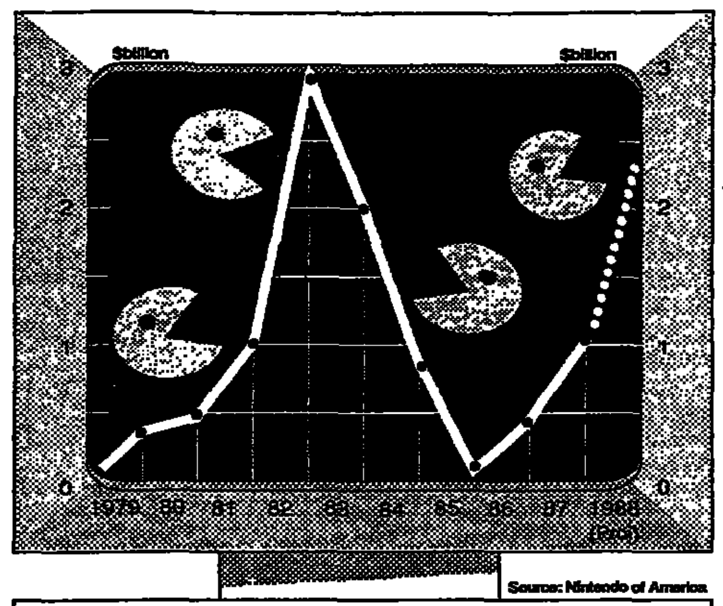
A critical issue for Nintendo is how to maintain consumer interest. In Japan, the company is planning to launch a new game system next year that will incorporate a more powerful microprocessor computer chip capable of handling more sophisticated game software and producing higher quality graphics.

In the US, it is difficult to predict how long the Nintendo craze will last. A major factor will be whether US toy makers hatch a new "fad" toy in 1989. The US toy industry has produced remarkably few new ideas for this Christmas or last, focusing instead on "classic" toys that appeal to consumers who have been disillusioned by the short-lived appeal of talking bears and dolls, laser guns and other fads.

But should the US market slow, Nintendo might make that up with a push into the European market. It originally planned a major marketing effort in Europe this year, but was forced to postpone the move because of the chip shortages.

According to Nintendo executives in Japan, the company has a guaranteed supply of memory chips to last through this month, but is unsure of where it will find supplies in the New Year.

In the meantime, "too many orders and the prospect of a decline in chip prices next year are 'good' problems," for the company, suggests Mr Gideon Franklin an analyst with UBS-Phillips & Drew, in Tokyo.



Decline and rebirth of US video game industry

Toyland loses its creative sparkle

By David Churchill in London

THE GLOBAL toy business is in the doldrums, with stagnating sales and a lack of creative ideas. After the heady days of the early 1980s — when toys such as Cabbage Patch dolls or games like Trivial Pursuit spurred on worldwide sales — the major toy companies have faced a difficult time.

Last year two of the fastest-growing toy companies in the US — Coleco Industries and Worlds of Wonder — were both forced into declaring Chapter 11 bankruptcy by the fickleness of the toy market.

Over-hype, over-production, and over-confidence all forced Coleco and Worlds of Wonder into making the classic mistake of the toy trade in under-estimating the consumer.

American children soon grew tired with Cabbage Patch dolls (Coleco) or Teddy Ruxpin, the talking teddy-bear (Worlds of Wonder).

Without similar blockbusters in the pipeline, both companies have been forced to rationalise their activities sharply.

The other major toy companies have fared little better. The Tonka Corporation, which last year took over rival toy company Kenner Parker, Mattel, and Hasbro have all experienced difficult trading conditions over the past year which has been reflected in indifferent financial results being posted.

Their decline has had serious repercussions for the global toy industry since these multinational operators have dominated both the US and European markets in the 1980s. Tonka, Mattel, Hasbro, Coleco, and Nintendo of Japan are estimated by industry analysts to account for a third of all global toy sales.

Peter Eio, managing director of Lego which operates throughout Europe and the US, believes that the global toy industry is still in its infancy compared with the car industry or other established consumer goods businesses.

"What we are seeing right now is a 'shake-out' where the industry is learning the need to focus on more profitable long-term branded franchises as opposed to short-term fads."

Worldwide sales of toys and games are likely to be worth some $40bn in total this year, with the US market the most significant with sales of over $12bn. UK sales are approaching $2bn. But both these markets are showing little real growth in volume sales.

The main knock-on effect of the lack-lustre sales picture in the US will be felt in the Far East.

Five Asian countries — Taiwan, South Korea, Japan, Hong Kong, and China — between them manufacture (on behalf of the multinationals) some 80 per cent of all toys imported into the US.

But the outlook for world toy markets is mixed. The real problem facing the toy companies is the demographic profile of its target consumers: children.

The European child population will, according to analysts, decline by 5 per cent over the next 30 years.

Only the American child population seems set to increase among major Western economies over the next generation. That is where the toy wars of the next few decades will be fought out in earnest.

Collins in talks with white knight

By Fiona Thompson in London

THE BATTLE for William Collins intensified yesterday as the company announced it was in talks with a potential white knight. But News International, which has a £294m ($530m) hostile bid on the table, insisted it would not sell its 41.7 per cent stake in the British book publisher.

Collins said that it had received an approach "which may lead to offers being made, at a level appreciably above the level of the News International offers, for the whole of Collins."

News International, headed by Mr Rupert Murdoch, responded by stating "categorically that it will not accept any competing offer in respect of its 41.7 per cent voting stake in Collins." It has held this stake since its abortive first attempt to gain control of the publisher in 1981.

Having made this statement, News is prohibited under general principle 6 of the Takeover Code from accepting any competing offer. This presents a formidable barrier to any prospective white knight, making it harder to gain a controlling stake. It would not be able to force Mr Murdoch to sell his holding and would therefore face the prospect of dealing with a large minority shareholder.

Collins ordinary shares closed up 88p last night at 861p and the non-voting "A" shares closed 83p up at 671p.

City analysts suggested that to succeed, a bid by a white knight would have to be pitched around 1000p for the ordinary shares and 850p for the "A" shares.

Publishing analysts speculated that the mystery bidder could include such companies as Hachette and Presses de la Cite, the largest and second largest book publishers in France respectively; Bertelsmann, the West German private company which is the world's largest publishing group; Reed International, the third largest UK publisher, and Pearson, the publishing, banking and industrial group.

Financial analysts in Paris last night indicated that the most likely continental candidate was Presses de la Cite.

Reed and Pearson both said they could not comment on market rumours. Bertelsmann said it was in a "consolidation phase" after takeovers and was not contemplating any major acquisitions until mid 1990.

News said last night it was extending its unchanged offers until Thursday, January 5, after announcing a 0.03 per cent acceptance level at the first closing date.

Goldberg has 9.2% of Tootal

By Alice Rawsthorn in London

MR ABE Goldberg, a powerful player in the Australian textile industry, has amassed a 9.2 per cent stake in Tootal, the UK textile group, three years after mounting an unsuccessful bid for the company.

Tootal, one of the world's largest manufacturers of industrial sewing thread, with textile interests in the UK, has been bandied about as a bid candidate ever since Mr Goldberg mounted an abortive £124m ($223m) bid through Entrad, then his chief textile company.

The Entrad bid failed after a dramatic eleventh hour intervention by Mr Jacob Rothschild's investment company, J. Rothschild Holdings. Mr Goldberg was left with a 29.9 per cent holding and a seat on the Tootal board. Within six months he had sold his stake and resigned from the board.

Early this autumn Mr Goldberg instructed Cazenove, the London stockbrokers which acted for him in the Entrad bid, to buy shares in Tootal. Cazenove began to buy in November. Tootal, concerned at the rapid rise in its share price, issued notices to identify the buyer.

By Wednesday last week Mr Goldberg controlled 5 per cent of Tootal through nominees. He continued buying until this Wednesday and by yesterday morning he had spent about £28m on building a 9.2 per cent stake at an average price of under 110p. Tootal's shares jumped by 7¼p to 121½p in London yesterday.

Mr Goldberg, known as "Mr Textiles" in Australia, arrived as a penniless emigré from Germany in the late 1940s. He began in business with one knitting machine and now controls the biggest textile group in Australia.

Tootal, which made pre-tax profits of £19m on sales of £239m in the six months to September 30, has been considerably strengthened since Entrad's bid in 1985. Tootal is now capitalised at £346m, nearly three times more than Entrad's 1985 bid.

Under Mr Geoffrey Maddrell, its chief executive who joined in early 1986, Tootal has strengthened its thread interests in North America and expanded within high-tech textiles and stationery distribution.

Mr Goldberg, presently in Sydney, has not informed Tootal of his intentions. Mr Maddrell said Tootal would "fight to the hilt" if he staged a second bid. In the meantime, he said, it would "concentrate on running the business and not get involved in financial jiggery-pokery".

Spanish lift Royal Bank stake

By Peter Bruce in Madrid

BANCO SANTANDER, the big Spanish commercial bank, has increased its stake in The Royal Bank of Scotland by 5 per cent, taking its total shareholding in Britain's sixth largest high street bank to almost 10 per cent, and making it Royal's biggest shareholder.

The Spanish bank said in Madrid yesterday that it had bought the new 5 per cent from the Kuwait Investment Office, with the approval of the Royal Bank board. Santander said it had purchased 14.7m shares, which at current market prices would amount to £50m ($90m). KIO still holds about 5 per cent of the Royal Bank.

Last October Banco Santander, in the most important foreign acquisition ever by a Spanish bank, took 5 per cent of Royal Bank of Scotland, by buying 2.5 per cent from the UK bank itself and a further 2.5 per cent from KIO in a move that cost it some £55m.

In return, Royal Bank bought 2.5 per cent of Banco Santander and took a 50 per cent share in the Spanish bank's West German and Belgian subsidiaries, CC-Bank and Credit du Nord Belge.

The two banks agreed at the time that a further interchange of shares was possible and Mr Emilio Botin, Santander's chairman, said yesterday that the new share purchase was part of a process of strengthening the alliance. Mr Charles Winter, Royal Bank's chairman, said he was pleased with the way the alliance had developed since October and welcomed Santander as Royal Bank's new major shareholder.

In another development in Spain's rapidly changing banking industry, the March group yesterday formally took control of Banco Urquijo Union, Spain's ninth biggest bank, after buying it for Pta 56bn ($488m) from Banco Hispano Americano.

Banca March, the March family's Balearics-based regional bank, has taken 30 per cent of Urquijo Union while its big portfolio company, Corporacion Financiera Alba, has taken the rest. The deal gives the March interest 96 per cent of Urquijo.

The pruchase of Urquijo, which has a large established commercial network in Spain, has raised doubts about the March's continuing committment to its joint venture on the Spanish mainland with the National Westminster Bank of the UK. The March group is thought to want to sell its 46 per cent stake in Banco NatWest-March, preferably to the National Westminster, because it would duplicate, rather than complement, the Urquijo network.

INTERNATIONAL COMPANIES AND FINANCE

Metallgesellschaft buys 47% of tungsten group

By Andrew Fisher in Frankfurt

METALLGESELLSCHAFT, the West German metals, mining, chemicals, and engineering group, is taking a majority stake in Europe's largest tungsten operation in a deal which also involves the sale of its profitable packaging interests as part of a strategic decision to concentrate on its main activities.

It is buying 47.5 per cent of Wolfram Bergbau-und Hüttengesellschaft (WBH), near Salzburg in Austria, from Voest-Alpine, the state-owned Austrian industrial concern. The German company already owns 47.5 per cent of the venture and will buy the remaining 5 per cent from Teledyne of the US.

In what is effectively an exchange of interests – industry analysts said the deal was worth well over DM100m ($56.8m) – the German company is selling its packaging activities to Austria Metall (AMAG), which aims to expand in the EC.

Metallgesellschaft's German and foreign packing subsidiaries have a combined turnover of DM260m and employ 1,150 people. Like Voest, AMAG is part of the state-owned Osterreichische Industrieholding.

"This is a good transaction which makes a lot of sense for both sides," said Mr Heinz Schimmelbusch, the deputy chairman of Metallgesellschaft who takes over as chairman in May. The German company will sell 26 per cent of its increased WBH holding on to Metallwerk Plansee, an Austrian specialist in metallurgy.

Tungsten, used to harden other metals and alloys, has a variety of civil and military applications in the oil, aerospace, motor and engineering sectors. The WBH mine, which *is one of the largest outside* China, has an output of some 500,000 tonnes a year, and operates at low cost because of the high technology integration of the mining, refining, and recycling phases. Its annual turnover is around Sch700m ($56.4m).

The transaction comes shortly after Metallgesellschaft announced a rise in net profits of 50 per cent to around DM150m for the financial year to September 30 1988. It is lifting the dividend from DM6 to DM8 a share. The company said the current year had begun favourably.

Co op elects board chairman

By Haig Simonian in Frankfurt

MR HANS Friderichs, the *former West German Economics* Minister and later chief executive of Dresdner Bank, was yesterday unanimously elected as new supervisory board chairman of Co op, the troubled German retailer which on Saturday sacked its entire managing board.

Mr Friderichs, who is the choice of the four foreign banks which control over 70 per cent of Co op's shares, is likely to reassure Co op's many creditor banks and restore morale at the company, which is one of Germany's top three food retailers with estimated sales of DM14bn ($7.95bn) this year.

Co op has been the subject of highly critical reports in recent weeks regarding its heavy debt burden, cash-flow problems and possible mismanagement.

In late November, Swiss Bank Corporation, Amro, Security Pacific and Svenska *Handelsbanken announced* a major restructuring in which Bank für Gemeinwirtschaft and Deutsche Genossenschaftsbank would also participate.

However, yesterday's supervisory board meeting put off a decision *on a new managing* board to replace Mr Bernd Otto, Co op's former chief executive, and his two colleagues.

A decision will be taken as quickly as possible in the new year, Co op said.

The company's day-to-day affairs will remain in the hands of Mr Gerhard Jakobi, a former banker and member of its supervisory board, and Mr Albert Döttger, the head of one of its main subsidiaries, who were appointed on an "interim" basis on Saturday.

Meanwhile, enquiries by the Frankfurt prosecutor's office into the company are continuing.

Co op floated 7 per cent of its shares on the stock exchange in October last year and is being investigated for possible misrepresentation of its true financial position at the time.

Hitachi and TI in venture

By Louise Kehoe in San Francisco

TEXAS Instruments of the US and Hitachi of Japan, two of the world's largest semiconductor producers, have agreed to work together on the development of future generations of dynamic random access memory (dram) chips.

The agreement, the terms of which were not revealed, reflects a growing interest in international partnerships among Japanese and US chipmakers despite several years of intense trade friction.

The three-year, renewable agreement will focus initially upon the joint development of 16 megabit dram technology but may be extended to future dram generations, the companies said.

The 16 megabit drams have 16 times the memory capacity of the 1 megabit drams used in many computers and other types of electronic equipment. Although experimental 16 megabit drams have been developed by several Japanese companies and TI, but the devices are not expected to become standard computer parts before the mid-1990s.

TI and Hitachi have taken significantly different approaches.

Plan unveiled to raise equity for metals venture

By Chris Sherwell in Sydney

NORTH Broken Hill and CRA, the two Australian mining and smelting groups, yesterday released details of the equity raising planned for Pasminco, the base metals joint venture first announced in June.

The new company, which *embraces the mining, smelting* and international marketing operations of the two groups' lead and zinc businesses, will issue about 20 per cent of its shares at A$1.45 each to raise A$203m (US173.5m) – broadly in line with expectations.

Their move comes when world prices are firm as a result of strong demand and tight supplies. Pasminco itself will join MIM of Brisbane as a major Australian force in world base metals markets.

According to yesterday's announcement, shareholders of North Broken Hill and of CRA will have priority in applying for some 140m shares to be issued. RTZ of the UK, which owns 49 per cent of CRA, is expected to take up any shares reserved for it.

The issue is designed to introduce new shareholders to the industry, offering investors direct exposure to the lead and zinc business and giving it a broader equity base. The eventual size of North's and CRA's final shareholdings will be determined by the number of shares taken up, but will be around 40 per cent each.

Announcement of the details follows a belated go-ahead from the Trade Practices Commission, which had expressed concern about the merger proposal because it might undermine competition in the domestic market. Under their plans, the two companies will continue to compete in the marketing of zinc in Australia.

When the merger was announced, the two companies said Pasminco would have an annual production of 380,000 tonnes of zinc in concentrates, 250,000 tonnes of lead in concentrates, and 538,000 kg of silver in concentrates and lead bullion. Annual sales were projected at A$1.5bn.

Its mines are at Broken Hill and Cobar in New South Wales, Beltana in South Australia and Rosebery in Tasmania. It will also operate smelters and refineries in Port Pirie, South Australia, at Risdon in Tasmania and at Cockle Creek in New South Wales.

AT&T moves closer to Italtel link

By Alan Friedman in Milan

AMERICAN Telephone & Telegraph is thought to be making progress toward its goal of forging an alliance with Italtel, the telecommunications equipment maker that is controlled by Italy's IRI-Stet state holding group.

Although there was no offi*cial confirmation of* a report yesterday in the Italian press suggesting that a political consensus has emerged in Rome in favour of choosing the US telecoms giant from among the four suitors, it is believed that both the Socialist and Christian Democrat parties would be prepared to approve the choice of AT&T.

During his recent visit to the US, Prime Minister Ciriaco De Mita met Mr Robert Allen, AT&T's chairman.

IRI-Stet has been seeking an international telecoms partner for Italtel since last year when the *Fiat group withdrew from* a planned joint venture with the state company.

Aside from AT&T the other companies which have been putting forward proposals are Siemens of West Germany, Alcatel of France and Ericsson of Sweden.

State industry officials in Rome yesterday said a formal decision on Italtel's foreign partner had not yet been taken, but AT&T and Siemens have been considered the frontrunners for several months now.

The final decision needs to *be formalised* by *means of* a complex procedure which will include the managers of Italtel, Stet and IRI and then a political decision by the Government. This process is expected to be concluded within the next couple of weeks so that a decision should be announced by early in the New Year.

Once a formal selection is made, the *negotiations* will move into a technical phase. The Italians are insisting, for example, that the foreign partner must help to market internationally Italtel's Lineau UT public switching system.

While Siemens, Alcatel and Ericsson already have an Italian presence in the telecoms equipment sector, AT&T's ties to Italy are to be found largely in its position as the holder of 22 per cent of the equity of Olivetti, the office automation group.

Wilhelmsen sails into lead

By Karen Fossli in Oslo

THE withdrawal of UK-based Ocean Transport and Trading from the Barber Blue Sea transpacific shipping consortium paves the way for Norway's Wilhelm Wilhelmsen group to *establish* one of the world's largest deep sea roll on roll off fleets.

The acquisition of Ocean's two Barber Blue Sea ships, together with other tonnage, will give Wilhelmsen Lines, the group's newly formed roll on roll off subsidiary, a fleet of 11 modern ships, including one on time charter.

The new company will consolidate the roll on roll off services of both the Barber Blue Sea consortium and ScanCarriers, Wilhelmsen's joint venture with East Asiatic of Denmark and Transatlantic of Sweden.

The Wilhelmsen group will have a 55 per cent stake in Wilhelmsen Lines, with the remaining 45 per cent split equally between three Finnish investors, BS Finance, TR Shipping (Thor Roenhovde) and Hollming, an industrial group. The Finnish companies have jointly invested $60m.

Transatlantic and East Asi*atic will continue to hold* minority stakes of 27.4 per cent and 19.3 per cent respectively in ScanCarriers, which becomes a subsidiary of Wilhelmsen Lines.

Wilhelmsen says the break-up of the two joint ventures will streamline decision-making by bringing all operations under the control of Mr Bjoern Robertsen, formerly president of Wilhelm Wilhelmsen A/S Liner Division, who is to become president and chief executive officer of Wilhelmsen Lines.

Mr Mark McVicar, a shipping analyst with London-based County NatWest, said Wilhelmsen's move was likely to be followed by further restructuring in the New Year as the industry continues attempts to reduce overcapacity.

There are around 60 deep sea roll on roll off ships with capacity of more than 1,000 TEU (standard containers). *Around 20 smaller ships are* under construction or on order.

The establishment of Wilhelmsen Lines, which will have capital of around $250m and an annual turnover of around $300m, represents the last step in a restructuring of the Wilhelmsen group, which has been struggling with debt since 1986.

It will group together the services of Barber Blue Sea (Far East, Central America, Caribbean, USA and Canada), ScanCarriers (Scandinavia, Europe, Australia, New Zealand, Far East, Canada and US), Williine (Far East, Middle East), Barber West Africa Line (USA, Africa).

The new company will also own 50 per cent of Open Bulk Carriers (*Canada, US*).

Brierley pulls out of bank bid

By Dai Hayward in Wellington

BRIERLEY Investments, Mr Ron Brierley's international investment group, has said it was no longer interested in *owning the Bank of New Zealand*. This follows the Government's rejection of its bid.

Brierley Investments had been widely regarded as being a front runner in the bidding for the bank, which had been put for sale by the New Zealand Government. The Government intends to raise a total of NZ$2bn (US$1.28bn) from asset sales in the current financial year.

One reason for Brierley's loss of interest in the BNZ may have been its success in the bidding for Air New Zealand, the state-owned airline. The consortium, of which Brierley was a part, paid NZ$660m for the airline and this was considered by the Air New Zealand board and analysts to be a particularly good price.

The Government was unhappy with all the bids it had received because they were well below the value it had placed on BNZ. It said the sale process would continue but Brierley Investments had decided it was no longer interested. It is understood Brierley's bid was extremely low.

Mr Paul Collins, Brierley Investments' chief executive, said last night: "We have no intention of making another bid. We have discounted it."

The National Australia Bank, the other major contender in the bidding, apparently attached conditions to its bid.

DSM purchase bolsters US presence

By Laura Raun in Amsterdam

DSM, the Dutch chemicals company that is soon to be privatised, has acquired Polymer Corp of the US in an effort to strengthen its engineering plastics side and its presence in America.

A spokesman said yesterday that DSM was paying "several hundred million guilders" in cash to Polymer's owners, who are management and private investors.

Polymer is to be merged with Erta, DSM's plastic processing division, by February. The newly combined unit will have annual sales of about $240m and will employ 2,300.

Engineering plastics are one of the high-technology products which DSM is seeking to strengthen as part of its corporate strategy. Such plastics are particularly important in the automotive and electrical industries.

DSM, which is now owned by the Dutch Government, is also seeking to expand in North America, where it derives only about 4 per cent of its revenue.

Polymer is the leading US producer of engineering plastic stock shapes and machined parts, as well as thermoplastic hoses and plastic compounds for injection moulding.

INTERNATIONAL COMPANIES AND FINANCE

Clean sweep at ABB subsidiary

David Marsh talks to the Mannheim chief of the engineering group

Mr Eberhard von Körber, a brisk 50-year-old from northern Germany, is the new broom at the West German subsidiary of Asea Brown Boveri, the Swedish-Swiss engineering group.

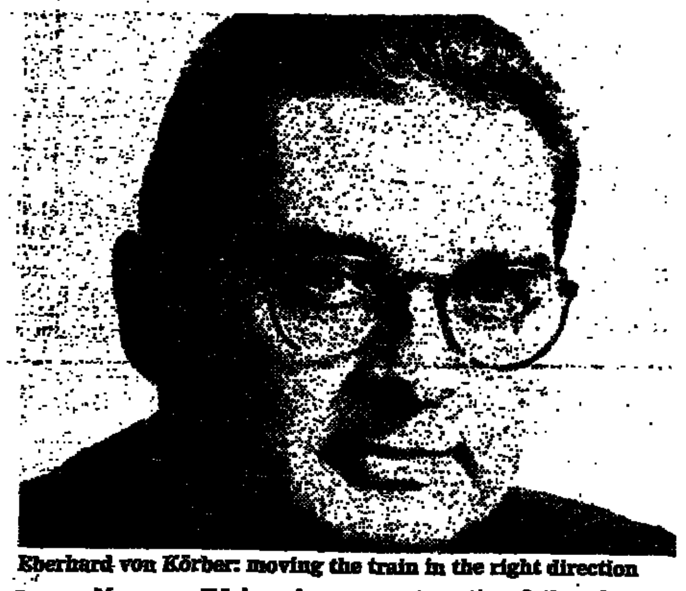
Mr von Körber, who took over as chairman at the beginning of this year, has been sweeping clean with a vigorous programme of cost reductions, rationalisation and job cuts. His aim is to bring profits at the Mannheim-based ABB subsidiary, currently less than 1 per cent of turnover, up to around 3 to 4 per cent in the next few years. That goal is a minimum target: "We will not be satisfied with that over the long term," says the quietly determined Mr von Körber, who made his name at the Munich auto-maker BMW before moving to Brown Boveri in Switzerland in 1986.

The shake-up at BBC's 88-year-old Mannheim subsidiary forms an important part of restructuring in the overall ABB group, formed by a merger between Asea and BBC which took effect at the beginning of this year.

The West German subsidiary makes power generating equipment, transformers and other electrical engineering products. It is more than 75 per cent owned by the ABB parent company in Zurich, with the rest scattered among small shareholders.

ABB-Mannheim sales rose 12 per cent to DM2.52bn ($1.43bn) in the first half of the 1987-88 business year, and Mr von Körber expects turnover of around DM5bn for the year as a whole. Next year's sales are put at DM6bn, with part of the growth coming from acquisitions.

As part of this latter policy, ABB-Mannheim in October agreed to purchase the steam turbine division of the Nürnberg-based AEG Kanis company. Mr von Körber has brought in job cuts slimming the company's workforce by around 1,200 this year to a planned 34,000 at the end of the year. More job cuts are planned in 1989.



Eberhard von Körber: moving the train in the right direction

He has moved some components purchases outside West Germany in a general restructuring of sourcing to lower cost countries, and has launched "a major reduction in overheads." He is subcontracting considerably more smaller items of work outside the company. Mr von Körber, however, declines to give figures for the overall cost reductions achieved.

Asked what went wrong with the company's strategy in the past, Mr von Körber refers indirectly to the internal shake-out leading his predecessor, Mr Herbert Gassert, as well as other executives, to step down at the end of last year.

Mr von Körber believes the restructuring of his company is symptomatic of the changes taking place in other portions of West German industry. "Never before have rationalisation programmes been put into action with the same stamina and speed that we are seeing now," he says. "There is a real disarmament in costs taking place.

"Companies have to become more efficient, more productive. We will see concentration on high quality, high precision, high technology products." As part of the drive to shed costs in the Federal Republic, ABB is building up production in more peripheral parts of the EC, led by Italy, Spain and Portugal.

BBC for 30 years was one of the Federal Republic's leading companies in nuclear power. But, following the completion of nuclear plants under order in previous years, Mr von Körber says atomic energy is "irrelevant" to the company now. It has no turnover in new nuclear plant business and only about 400 people are employed in the nuclear division.

ABB has teamed up with Siemens' power division, Kraftwerk Union, to pool activities in the high temperature reactor (HTR) field, a form of nuclear plant pioneered by BBC in the 1950s. This allows the two companies to cut back staff in this area while maintaining essential development teams, Mr von Körber says.

Underlining the difficulties facing the nuclear industry in West Germany, the pioneering West German HTR in Hamm-Untrop in the state of North Rhine Westphalia is close to being shut down because of the refusal of the state and federal governments to cover its operating costs.

Mr von Körber says that both Siemens and ABB agree that no new nuclear reactor orders in West Germany are likely at least until the end of the century, reflecting both generating overcapacity and political opposition.

In October, Siemens and ABB signed an agreement in Moscow to help the Soviet Union construct a largescale test HTR by 1996, although detailed contracts have yet to be agreed. Provided the Soviet deal goes ahead smoothly in coming years, Mr von Körber says the Soviet Union could team up with the two German companies to build HTRs in other countries, especially in other East bloc states such as East Germany and Bulgaria.

ABB-Mannheim has already licensed some production in such areas as turbines and turbo-chargers to Poland and East Germany. And, ever with an eye on reducing costs, Mr von Körber says that the Soviet Union could be a supplier of power station components "at interesting cost levels."

Swiss Eternit to phase out asbestos production

By John Wicks in Zurich

SWISS ETERNIT Group, one of the world's leading fibre cement producers, is to withdraw gradually from the asbestos sector, and plans a series of divestments, particularly in Latin America, and the strengthening of other activities.

About 20 per cent of annual group turnover of some SFr2bn ($1.85bn) is accounted for by the sale of asbestos cement, and a further 20 per cent by asbestos-free fibre cement incorporating polyvinyl-alcohol fibres from Kuraray of Japan.

SEG is controlled by Anova Holding, which administers the business interests of the Swiss industrialist Dr Stephan Schmidheiny.

Both the Swiss parent and its German affiliate are to put their fibre-cement production on a completely asbestos-free basis by 1990.

At the same time, SEG says it will dispose of a minority shareholding in Eternit Brazil and consequently the company's 50 per cent stake in SAMA, the world's biggest asbestos mine.

Negotiations are in hand for the sale of these Brazilian holdings. SEG is also to give up fibre-cement operations in Colombia and Bolivia.

This means that by 1992 it will no longer have any asbestos cement activities. By 1994 or 1995, it will also have given up production of pipes containing asbestos.

The decision to move out of asbestos was taken by Dr Schmidheiny in 1976. Since then, a major development programme has led to the introduction of new, asbestos-free cement.

Work on finding substitutes for asbestos pipes has taken longer, but will be completed by the mid-90s.

Apart from these core businesses, SEG is expanding into different sectors, one of which is plastic processing. Such operations have already begun in Colombia, Central America and South Africa and are planned for Brazil and Europe.

Roche acquires stake in Cetus

By John Wicks

HOFFMANN-La Roche, the Swiss chemicals group, is to acquire a stake in Cetus, the US bio-technology company based in Emeryville, California.

In terms of a licensing agreement, Roche will buy 950,000 of Cetus's approximately 27m ordinary shares at $15 each. It will also acquire warrants conferring an option on a further 1m shares at $15.75 per share.

The worldwide licensing agreement includes non-exclusive rights to Cetus's patents on human Interleukin-2 and a polyethylene-glycol-modified form of this genetically-engineered product.

Interleukin-2, which is undergoing clinical tests in cancer therapy in the US, is an important signal substance for certain white corpuscles in the human immune system.

Cetus owns 12 US and several European patents for various forms of Interleukin-2 and corresponding production processes. Roche already has a number of patent rights for the product.

INTL CAPITAL MARKETS

Eurobonds yield to trivia quizzes and dealer insults

By Norma Cohen

WITH ONLY one day to go before Christmas, Eurobond market activity has disintegrated almost entirely. By now, the not- inconsiderable energies of staff are devoted to the annual series of trivia quizzes and insults-for-charity opportunities that somehow materialise on screens normally reserved for prices.

On one set of screens, Mr Patrick Hellincx of ANZ Merchant Bank has offered to shave off his beard in exchange for a £500 donation to Save the Children, with his own bank offering to put up the first £300. Hambros has offered £200 towards the event - "so we can see whom we're dealing with," while Bankers Trust offered £20, hardly a compliment to Mr Hellincx.

Meanwhile, Mr Gary Kaye of Merrill Lynch has offered to donate a 17-pound kosher turkey – cooked and delivered to the home of the highest bidder, as long as the bidder lives in London. A gentleman named Althason from Chemical Bank bid £50, proceeds to go to Save the Children.

Allegations of sharp practice in the trivia quiz competition abound. One firm is alleged to have ordered its entire trading staff to dial all the phone numbers at International Insider – sponsors of the quiz – thus preventing any other firm with scholarly traders from calling in and claiming the prize.

Others are believed to have armed their trading staffs with encyclopedias and ordered them to man the screens of competing trivia quiz competitions all through the trading day.

Mr Williams de Broe, a bond broker, has also been running a popular trivia quiz. The questions display an erudition not normally associated with the Eurobond business.

"What is a whipple?" "Which senior US economic official owned one of the world's most celebrated Bordeaux vineyards?" (An ecclesiastical tailor and Mr Douglas Dillon, Treasury Secretary under President John F. Kennedy – for the uninitiated out there).

The highlight has been the final compilation of the Alternative League Table, the table of firms which have correctly answered the most trivia questions over the past two weeks.

International Insider's league table suggests there may be a relationship between underwriting new Eurobonds and remembering interesting, but largely useless, bits of information. Three of the top five places in the league table are held by Japanese firms, with Daiwa Europe in the top slot.

Daiwa has asked that the prize, a £1,000 Christmas hamper from Harrod's, be auctioned off and the proceeds donated to the appeal for the residents of Lockerbie, Scotland.

In Switzerland, the controversial SFr150m 10-year bond for Nersa, the French-based nuclear power company, began trading yesterday.

The company owns a nuclear power plant in France near the Swiss border and it has been dogged by technical problems. As a result of the controversy surrounding the company, Crédit Suisse decided not to participate in the deal.

Nersa closed its first day's trading at 97¼ compared with a 100¼ issue price, slightly lower than it had been trading on the grey market.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 22

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†93¾	93⅞	0	+0⅜	9.93
A/S Eksportfinans 7¼ 92	150	93⅛	93⅝	-0⅛	+0¼	9.83
B.F.C.E. 7 92	150	92⅜	92¾	0	+0⅛	9.76
Brit. Tel. Fin. 9⅜ 98	250	97⅞	98⅜	0	+0⅛	9.67
Canada 9 96	1000	97⅞	98⅜	-0⅛	+0⅜	9.36
Canadian Pac 10¾ 93	100	†101½	102½	0	0	10.13
C.C.C.E 9¼ 95	300	97⅞	98⅜	+0⅛	+0⅜	9.65
C.N.C.A 9⅜ 93	150	98⅝	99⅛	+0⅛	-0⅛	6.65
Credit Lyonnais 9 91	200	†98½	99	+0⅛	-0⅛	9.63
Credit National 8¼ 93	200	94⅝	95⅛	+0¼	+0⅛	9.73
Credit National 7⅜ 92	100	93⅜	93⅞	0	0	9.67
Credit National 7¼ 91	150	†93⅝	94⅛	+0⅜	0	9.71
Dai-Ichi Kan 9⅜ 92	150	99⅜	99⅞	-0⅛	+0⅛	9.76
Denmark 7⅛ 92	500	92½	93⅛	-0⅛	+0¼	9.85
E.E.C. 7 91	100	93⅝	94	-0⅛	+0⅛	9.58
E.E.C. 7¼ 93	250	91⅞	92⅜	0	+0¼	9.60
E.E.C. 8 90	350	†97¼	97¾	0	+0⅜	9.70
E.I.B. 7⅝ 93	100	92	92½	0	+0¼	9.66
E.I.B. 9⅜ 97	150	98½	99	0	+0½	9.58
Elec. De France 9 98	200	96	96½	0	+0½	9.62
Finland 7⅝ 97	200	89⅝	90⅛	-0⅛	+0⅜	9.73
Finland 7½ 93	200	91¾	92¼	-0¼	+0¼	9.67
Fion. Exp. Cd. 8½ 92	200	96¼	96¾	-0⅛	0	9.79
Ford Motor Credit 8 91	250	†96	96½	0	0	9.90
Gen. Elec. Cap. Corp. 9 93	500	97	97½	0	+0¼	9.76
Gen Elec Credit 10¼ 00	200	†100	100½	0	0	10.19
Gen. Mtrs. Corp. 9⅛ 92	200	98¼	98¾	-0⅛	+0¼	9.61
Halifax BS 9½ 93	200	†98⅜	98⅞	0	+0¼	9.86
IBM Credit Corp. 8⅞ 91	250	98¼	98¾	0	+0¼	9.48
Italy 9½ 95	1000	99	99½	-0⅛	+0⅜	9.65
Italy 9 90	1000	†99	99½	0	+0¼	9.43
Lib. Mutual Cap. 9⅛ 93	150	†97¼	97¾	-0¼	-1½	9.78
L.T.C.B of Japan 8 91	100	†95½	96	-0⅛	+0⅛	9.87
L.T.C.B. of Japan 8 97	200	89⅞	90⅜	0	+0½	9.85
Metropolis Tokyo 9½ 93	200	99⅝	100⅛	-0¼	+0¼	9.53
Morgan Guaranty Tst. 7 90	150	†96½	97	0	+0⅜	9.90
Nippon Tel.&Tel. 9⅜ 98	250	98⅜	98⅞	+0½	+0⅝	9.59
Norway 8¾ 93	500	96⅞	97⅜	-0⅛	+0⅛	9.59
Portugal 8¼ 91	300	†96⅜	96⅞	+0⅛	-0⅜	9.96
Prudential Crp. 8¾ 94	125	97	97½	-0¼	+0⅛	9.41
Qantas Airways 10⅜ 95	140	102⅝	103⅛	0	+0⅜	9.74
Saskatchewan 10¾ 92	100	102¼	102¾	0	0	9.77
State Bk S Aust 9¼ 93	100	98	98⅝	0	+0⅛	9.81
Sumitomo Bank 9⅝ 92	150	99⅛	99⅝	-0⅛	0	9.80
Swed Exp Cred 7¼ 91	100	†93⅝	94⅛	0	+0¼	9.71
Sweden 7 91	250	93⅞	94⅛	0	+0⅛	9.53
Sweden 7 92	250	†92⅞	93⅛	-0½	0	9.67
Sweden 8¾ 96	200	95½	96	-0⅛	+0⅛	9.57
Sweden 8½ 92	200	†97⅜	97⅞	0	-0⅛	9.27
Victorian Rep 11⅝ 92	150	104½	105	0	-0⅛	9.85
World Bank 7 92	300	†93⅛	93⅝	-0⅛	+0¼	9.56
World Bank 9 97	300	96⅞	97⅜	0	+0⅝	9.49
World Bank 9¼ 98	300	97⅞	98⅜	0	+0⅝	9.55
Yasuda Trust Fin 8½ 93	100	†94⅞	95⅛	0	+0⅛	9.86

Average price change... On day 0 on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	101⅝	102⅛	+0⅛	+0⅝	5.62
Avis Fin. SVS 5⅞ 92	100	100⅞	101⅜	+0⅛	-0⅛	5.47
Bank of Tokyo 5¾ 93	100	101½	102	-0¼	+0⅛	5.27
Central BK. Turkey 7 92	200	103⅞	104⅜	-0⅛	0	5.74
Commerzbank o/s. 5⅜ 93	300	100¼	100⅝	+0⅛	-0¼	5.27
Degussa Int. 6⅛ 97	200	100⅞	101⅝	0	+0⅜	5.93
E.I.B 5½ 98	150	95½	96⅛	-0⅛	+0⅜	6.09
E.I.B 6 97	300	99	99⅜	-0⅛	-0⅛	6.10
E.I.B. 6⅛ 96	300	100¼	100⅞	0	0	6.01
E.I.B. 6⅛ 97	400	100	100⅜	+0⅛	+0⅜	6.06
E.I.B. 6⅞ 95	300	104⅜	105	0	-0⅛	6.03
Euro. Coal & Steel 5⅞ 97	175	98⅜	99⅛	0	+0⅜	6.07
Eurofima 6¼ 96	100	101⅛	101⅜	+0⅛	+0⅜	6.01
Elec De France 5¾ 97	300	98⅛	98⅜	-0⅛	-0⅛	5.99
Forsmark Krtg. 5⅛ 93	200	98¼	98⅞	-0¼	0	5.50
I.A.D.B. 6 97	200	99½	100¼	-0¼	+0⅜	6.01
Japan Dev. Bk. 5⅜ 95	300	99	99⅜	+0⅛	+0⅜	5.49
Japan Finance 5¾ 97	100	97⅛	97⅜	0	+0¼	6.14
Ireland 6½ 97	300	101	101½	0	+0¼	6.30
Malaysia 6¼ 94	150	99⅞	100⅝	-0⅛	+0¼	6.18
Nat. West BK. PLC 6 98	300	97¼	98	0	+0¼	6.34
N.H.L. Finance 6⅛ 95	200	†100	100½	0	+0½	6.20
Nippon Telg.&Tel. 6 95	400	102⅜	103	-0⅛	+0⅜	5.92
Oesters. Kontbk. 5 93	300	98⅞	99⅜	+0¼	+0½	5.24
Portugal 5¾ 92	150	100⅜	101	0	-0¼	5.50
Portugal 6⅝ 95	150	102⅝	103	+0⅛	-0½	6.12
Privatbanken 5⅛ 93	150	97⅞	98½	+0⅛	0	5.76
Royal Insurance 5½ 92	300	100⅝	101⅛	+0⅛	0	5.19
Soc Cent Nuclear 7¼ 95	150	105⅝	106⅛	+0⅛	0	6.12
Turkey 6½ 95	500	97⅞	98⅛	-0⅛	-0⅛	6.94
Westlb. Finance 5 93	200	†99	99⅝	0	0	5.23
World BK. 6¼ 97	600	100⅞	101½	-0⅛	+0⅜	5.99

Average price change... On day 0 on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5 96	150	†100½	101	-0½	-0⅝	4.87
Asfinag 5 03	100	†100	101	-0½	-0⅜	4.95
B.F.C.E. 4½ 98	200	†98½	98¾	0	0	4.68
B.M.W. Fin. Neth. 5 13	150	†95¼	95¾	0	-1	5.33
Britannia B/S. 4¼ 94	100	†96¾	97¼	+0⅜	+0¼	4.83
CIR. Int. W/W 3 93	125	†96	96¼	0	-0⅜	3.94
Credit Lyonnais 4¾ 00	100	†97	97½	+0⅛	-0⅛	5.07
E.I.B 4⅝ 98	150	†99½	99¾	+0⅜	+0⅛	4.67
Fletcher Chall. 4⅞ 98	150	†96¼	97	0	-0½	5.31
Kobe City 4⅝ 98	150	†98	98¼	+0¼	+0¼	4.87
Leeds Perm. B/S. 4⅛ 93	200	†97	97½	0	-0⅛	4.84
Malaysia 5¼ 98	100	†98½	99	+0⅛	+0⅛	5.42
Maxwell Comm. Crp. 5 95	150	†100¼	101⅞	-0⅛	+0⅜	4.79
Nat. Bk. Hungary 5½ 94	75	†98	98½	-0⅛	-0⅝	5.85
Nationwide Ang. B/S. 4 93	200	†96	96½	+0⅛	-0⅝	4.95
Nippon Telg.&Tel. 4¼ 95	200	†98½	98¾	+0¼	0	4.49
Oesters. Ktbk. 5 03	75	†100	100¾	0	+0⅜	4.96
Prov. New Foundland 5 03	150	†100½	100¾	0	+0½	4.94
Thailand 4⅝ 95	200	†95⅞	96¼	0	0	5.36
World Bank 5 03	150	†99¾	100¼	0	-0⅜	5.00

Average price change... On day +0 on week -0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅜ 92	55	102¼	102½	0	-0⅛	4.71
Belgium 4⅝ 94	45	98½	98¾	+0⅛	+0⅛	4.91
Canada 4⅜ 92	80	99⅛	99⅜	0	+0⅛	4.60
Elec. De France 5⅛ 94	20	101⅛	101½	0	0	4.84
Ireland 5⅛ 93	30	100¼	100¾	0	+0⅛	4.99
Norway 5⅛ 95	50	101⅛	101⅜	0	0	4.88
Rep. of Italy 5¾ 92	150	103⅜	103⅝	+0⅛	+0¼	4.53
Sweden 4⅝ 93	50	99⅞	99⅝	0	0	4.75
World Bank 5½ 92	50	103	103¼	0	+0⅛	4.56

Average price change... On day +0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS. 10¼ 93 £	50	98⅜	98⅞	+0⅛	+1¼	10.66
Alg. Bk. Ned. 5½ 92 FL	150	98¾	99¼	0	+0⅛	5.85
Alg. Bk. Ned. 5¾ 93 FL	200	98⅝	99⅛	0	0	6.05
Amro Bank 6¼ 92 FL	150	101⅛	101⅝	0	0	5.81
Aust. Ind. Dev. 12⅞ 93 A$	100	96	96⅜	+0⅛	0	14.02
Barc. Bk. 10¼ 97 £	250	95½	96	+0⅛	+1¼	11.02
Barclays Aus. 13½ 91 A$	100	99½	100	0	+0¼	13.55
Blue Circle 10⅜ 13 £	150	†97	97½	0	+0¾	11.08
BP Capital 9¾ 93 £	100	95½	96	+0⅛	+1⅜	11.01
British Airways 10 98 £	100	92¼	92¾	0	+0⅜	11.34
Buhrmann-Tet. 6⅜ 93 FL	100	100⅞	100⅞	0	+0¼	6.20
Comm. Bk. Aust. 12⅞ 93 A$	100	96⅛	96½	-0⅛	-0⅛	13.55
Coop. Ctr. Rabo. 6¼ 93 FL	100	100¼	100⅝	0	+0¼	6.10
Coop. Ctr. Rabo. 6 92 FL	200	100⅛	100⅝	0	+0¼	5.86
Denmark 7⅜ 92 ECU	100	†100½	101	-0⅜	-2¼	7.46
Dixons 11 95 £	90	†96	96½	0	+1¼	11.75
Deut. Bk. Aust. 12¾ 95 A$	70	99⅝	100⅛	0	0	12.75
Eastman Kodak 13 90 A$	100	96⅝	97⅛	0	-0⅛	15.11
E.I.B. 7 96 LFr	100	*†98	99	0	-0¼	7.27
Elec. France 10¼ 95 C$	125	†98⅞	99⅜	0	-0⅜	10.44
Euratom 7⅝ 97 ECU	145	95⅛	95⅝	+0⅛	+0⅜	8.13
Fed. Bus. Dv. Bk. 9¾ 92 C$	75	†97	97½	0	+0¼	10.70
Ford Cr. Can. 10¼ 93 C$	100	†99⅝	100⅛	0	-0¼	10.77
Gillette Can. 9⅝ 93 £	70	92⅝	93⅛	0	+0¼	11.66
G.M.A.C. 9¼ 93 C$	150	†95⅞	96⅜	0	-0⅜	10.87
G.M.A.C Aus. Fin. 14 90 A$	50	100⅜	100⅞	0	+0¼	13.46
Halifax BS 10⅜ 97 £	100	95⅝	96⅛	+0⅛	+1¼	11.15
Imp Chem Inds 10 03 £	100	93½	94	+0⅛	0	10.86
Inv. Industry Int. 10 93 £	60	96	96½	+0⅛	+1¼	11.11
Lloyds Bank 10¼ 98 £	150	94	94½	0	+1¼	11.27
MonTreal Tst. 10¼ 93 C$	100	†98⅝	99⅛	0	-0½	11.04
Nat. West. Bk. 13⅛ 92 A$	50	†99⅝	100⅛	0	+0⅜	13.15
Nationwide BS 10¼ 93 £	75	96¾	96¾	0	+1¼	[illegible]
Ned. Midd. Bank 6 92 FL	150	100	100½	0	-0⅛	5.98
New Zealand 9½ 93 £	100	94½	95	+0⅛	+1⅛	11.05
New Zealand 7⅜ 93 ECU	200	†100⅛	100⅝	0	+0⅜	7.59
Oesters. Ktbk. 13⅝ 94 A$	75	100⅞	101⅜	0	0	13.28
Philips Gleoil. 6 93 FL	300	99	99½	0	+0⅜	6.18
Prudential Fin. 9⅜ 07 £	150	†88⅜	88⅞	0	+0⅞	10.81
Royal Bk. Scot. 10⅝ 98 £	125	95½	96	0	+1	11.45
Saskatchewan 9⅞ 91 C$	150	†97¾	98¼	0	-0⅛	10.75
Saskatchewan 10¼ 93	200	98⅛	98⅝	0	-0⅛	10.68
S.D.R. 7¾ 95 ECU	90	99	99½	0	+0¼	7.90
Union Bk. Switz. 7½ 93	150	101⅛	101⅝	0	0	7.16
World Bank 5¾ 92 FL	100	99⅛	99⅝	0	-0¼	5.95
World Bank 13⅜ 92 A$	100	†99	99½	0	+0⅜	13.58
Zentrspk. 13¼ 93 A$	75	98½	99⅛	0	+0½	13.58

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.68	99.73	21/01	10.99
Belgium 91 US	0	100.11	100.22	21/02	9
Britannia 5 93 £	0⅛	99.91	99.96	10/01	12.12
Chase Manhattan Crp. 91 US	0¼	99.50	99.67	22/02	8.94
Citicorp 98 US	†0¼	97.70	97.95	28/02	9.62
Credit Foncier 98 US	.063	99.61	99.72	20/04	8.44
EEC 3 92 DM	†0	100.96	101.06	22/02	5.63
Halifax BS 94 £	.1	99.86	99.91	8/02	12.29
Invt. In Industry 94 £	0	99.96	100.03	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	100.01	100.06	13/01	10.44
Midland Bank 01 £	.1	96.25	97.12	11/02	11.41
Milk Mkt. Brd. 5 93 £	0⅛	100.00	100.05	30/12	12.06
New Zealand 5 97 £	.07	100.11	100.21	20/02	12.16
New Zealand 5 01 US	0	99.79	99.89	4/02	8.62
State Bk. Nsw. 98 US	.188	100.23	100.33	13/02	8.87
Woolwich Equit. BS. 93 £	0⅛	99.90	99.95	13/01	12.12
Woolwich 5 95 £	0⅛	99.77	99.82	21/02	12.37

Average price change... On day +0.00 on week +0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	103⅞	104⅞	-0¼	18.43
Amer. Brands 7¼ 02 US	9/87	56.7	106⅛	107⅞	-0⅛	8.93
Ashikaga Bank 2⅛ 02 US	4/87	967.	150¼	151¼	+4¾	10.03
Asics 5 92 DM	12/83	472.7	213¾	214⅞	+0¼	8.25
CBS. Inc. 5 02 US	4/87	200.	91⅞	92⅞	-0⅜	8.84
Comm. Credit 5½ 02 US	4/87	66.75	64⅜	65½	-0⅛	54.36
Eng. China Clay 6½ 03 £	9/88	4.8	98½	99½	0	5.84
Fujitsu 3 99 US	5/84	1106.	249⅞	250⅞	-8⅛	-1.37
Land Secs. 6¾ 02 £	6/87	5.72	91⅞	92⅛	-0⅛	13.45
MCA Inc 5½ 02 US	9/87	69.62	81⅜	82⅜	+0⅛	24.93
Minolta Camera 2¼ 94 DM	2/86	1004.	97⅞	98⅞	-0⅛	15.08
Mitsubishi Bk. 1¾ 02 US	9/87	3157.	133½	135⅛	+2⅜	7.49
Mitsui Trust 2⅜ 01 US	10/86	1903.	138⅜	139⅞	+3⅝	7.14
Next Plc 5¾ 03 £	11/87	4.3	97⅛	98½	-0¼	212.15
Nishi Nipp. Bk 2⅞ 03 US	4/88	804.	117⅛	118⅜	+2⅛	13.12
Onoda Tateld 2⅜ 02 US	4/87	1310.	223	224½	+0¼	0.87
Ranks Hovis 4¼ 03 £	1/88	3.5	106½	107⅞	-0¼	11.00
Redland 7¾ 02 £	1/87	5.4	86⅜	87⅜	+0⅜	17.87
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	93½	95⅛	0	26.67
Texas Inst. 2¾ 02 US	9/87	82.87	73	74	-0¼	52.28
W.R. Grace 6¼ 02 US	9/87	42.12	80⅝	81⅝	0	37.35

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Swiss banks face change over loan provisions

SWISS BANKS face new rules for governing provisions they must make on loans to problem debtor countries, Reuter reports from Berne.

The Federal Banking Commission said in a letter to banks that by end-1989 they must make provisions to cover 10 per cent of short-term commercial credits and 50 per cent of all other loans to such countries.

This is the first time the commission has distinguished between different kinds of exposure to problem debtor nations.

The commission said it decided to treat commercial credits with a maximum life of 360 days more favourably, as experience showed such credits were usually serviced on time and did not feature in debt rescheduling agreements.

This approach was already practised by supervisory bodies in a number of other countries, it added.

Until now, the commission's procedure has been to set an all-embracing risk provision for total exposure to these nations.

The current rate of 30 per cent is due to rise to 35 per cent at the end of this year.

The commission first introduced a risk provision requirement of 20 per cent in 1983. The rate was raised to 30 per cent in 1987.

The commission said banks would have a choice in the interim period from January 1 1989 until its new dual provision requirement came into force.

Either they could apply a global risk provision, as in the past, at a rate of 35 per cent. Or they could apply a rate of 10 per cent on short-term commercial credits and 40 per cent on other kinds of exposure.

The commission said it would continue to reserve the right to recommend higher or lower provisions in particular cases.

US merchant banks' debt may be downgraded

MOODY'S Investors Service may downgrade the ratings on nearly $3bn in debt securities of Shearson Lehman Hutton and Salomon Brothers, two US merchant banks, Reuter reports from New York.

Last month, Moody's warned it would begin reviewing the ratings of investment banks, with respect to the risks involved in bridge loans to and equity stakes in restructured companies.

It said: "The credit risk of merchant banking assets is far higher than the credit risk of the vast bulk of securities firms' assets.

"Bridging loans used to support takeover activities are almost always subordinated and equity interests are even more junior claims against highly leveraged companies."

Moody's said the review would focus on Shearson's and Salomon's risk appetite in the merchant banking area.

About $1.75bn of Shearson debt and about $1.2bn of Salomon debt is affected. Shearson's senior debt is rated A-3 while Salomon's senior debt is rated A-1.

Under review for downgrading are Shearson Lehman Hutton Holding's A-3 senior debt and Eurodebt, its (P)A-3/(P)Baa-2 rated shelf registration for senior and subordinated debt and Prime-1 commercial paper.

Denmark unveils likely targets for privatisation

By Our Copenhagen Correspondent

STATE-RUN Copenhagen International Airport and Denmark's two-sevenths share in Scandinavian Airlines System (SAS) head the sales list in a big privatisation scheme unveiled by the Danish Government as part of a four-year plan to streamline state administration.

The plan calls for privatisation projects to the tune of DKr3bn ($438.6m) a year between 1989 and 1992.

Apart from the mooted sale of the Copenhagen International Airport, which is Europe's sixth busiest, Denmark is considering selling an unspecified part of its 50 per cent stake in Det Danske Luftfartsselskab (DDL) after negotiations with the Swedish and Norwegian governments, the other two partners in SAS.

Swedish and Norwegian holding companies have three- and two-sevenths of SAS respectively, the governments owning 50 per cent of their national holding companies' shares.

The Danish Government's share in DDL has an estimated market value of about DKr2bn, according to local estimates.

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GOVERNMENT BONDS

Liffe to review long gilt futures contract

By Stephen Fidler in London and Roderick Oram in New York

THE LONDON International Financial Futures Exchange said yesterday it would review its long gilt futures contract, largely because of the shrinking amount of long-dated stock in the British government bond market.

As a result, it will not list the new September contract as scheduled next Thursday. A review carried out a year ago resulted in a reduction from 12 to 9 per cent in the coupon on the notional gilt.

Although the coupon will again be studied, the main reason for the review is that officials want to ensure that, as the average life of the market shortens because the Government is issuing no new stock, the contract still remains useful for hedging.

Delivery under the contract is restricted to stocks of longer than 15 years maturity, and the number of stocks in this category is falling. Next spring, the 13¼ per cent Treasury stock maturing in 2004-08 will cease to be deliverable.

RECOVERING from a small dip on news of stronger than expected durable goods figures, Wall Street bond prices were little changed in quiet trading. Drexel Burnham Lambert's settlement of criminal charges had no impact.

Foreign exchange markets were similarly uninspired as trading fell into a pre-holiday mode.

The Treasury's 30-year benchmark bond slipped about ¼ point after the market heard about the 0.1 per cent rise in new durable goods orders in November.

Though the overall figure was modest, the backlog of orders grew markedly and the underlying trend of new orders was much firmer if the volatile transportation and military sectors were excluded.

The benchmark issue recovered most of its small loss to stand at 100⅔ by early afternoon, yielding 8.94 per cent. Shorter maturities and short-term instruments were virtually unchanged and the Fed funds rate was 8⅔ per cent, where the market believes the Fed is trying to keep it.

The corporate bond sector, most particularly junk bonds pioneered by Drexel, tracked the broad bond market. Traders and investors said that even if Drexel's new issue and secondary market making abilities were impaired by the settlement, other firms would take up the slack.

EUROPEAN markets were quiet ahead of holidays. In West Germany, where prices were little changed on the day, the Bundesbank announced that terms on the traditional Silvester bond would be announced on Tuesday.

A 10-year bond in the amount of DM4bn to DM5bn is expected. Judging from current market conditions, this should yield about 6¼ per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	108-19	+0/32	10.84	10.84	10.42
		8.750	9/97	92-16	+2/32	10.06	10.23	9.88
		9.000	10/08	88-04	+2/32	9.20	9.33	9.09
US TREASURY*		8.875	11/98	98-28	+0/32	9.05	9.16	9.07
		9.000	11/18	100-21	+3/32	8.94	9.06	9.11
JAPAN	No 105	5.000	12/97	103.2697	+0.132	4.49	4.53	4.65
	No 2	5.700	3/07	109.2867	+0.319	4.75	4.77	4.84
GERMANY		6.750	8/98	101.5000	-0.125	6.56	6.57	6.40
FRANCE	BTAN	8.000	10/93	97.6251	+0.057	8.60	8.72	8.57
	OAT	9.500	5/98	105.4850	+0.135	8.61	8.78	8.79
CANADA*		10.250	12/98	101.0000	+0.000	10.09	10.19	10.07
NETHERLANDS		6.7500	10/98	101.7250	+0.050	6.58	6.60	6.46
AUSTRALIA		12.500	1/98	97.8802	-0.026	12.90	12.54	12.20

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

SEC to clarify law on international dealing

Alfred Byrne, Allan Mostoff and Alan Rosenblat on effects of the proposed Regulation S initiative

A series of recent US regulatory and legislative actions will have a significant impact on transnational dealings in securities, touching in one way or another the US markets.

The US Securities and Exchange Commission (SEC) has proposed three new regulatory initiatives to clarify how US securities laws will be applied to international transactions.

In order of publication they are: proposed "Regulation S" under the Securities Act of 1933, concerning flotations and offers of securities; proposed Rule 144a under the same Act, which would create safe harbours for resales to institutional and other sophisticated investors of securities that are not registered with the SEC; and proposed Rule 15a-6 under the Securities Exchange Act of 1934, which identifies transactions in which non-US broker-dealers can engage without SEC registration.

In addition to these actions, the recently enacted Insider Trading and Securities Fraud Enhancement Act authorises the SEC to conduct investigations on behalf of non-US securities regulators.

The present article deals with Regulation S.

The 1933 Act requires SEC registration whenever the US mails or any US "means or instruments of transportation or communication in interstate commerce" are used to offer or sell a security.

However, the SEC announced in 1964 that it would enforce US registration requirements only to the extent necessary to protect US investors and US securities markets, though it would continue to assert the full scope of its jurisdiction to prevent or prosecute fraud.

Since that time, the agency's policies towards transnational transactions have developed on a case-by-case basis, and have been publicised by individual interpretive letters. Despite its 1964 policy statement, the SEC's application of US law has been quite expansive and has caused non-US institutions and dealers to shy away from engaging in transactions which might subject them to SEC requirements.

Another shortcoming of the case-to-case evolution of law has been the lack of clearly stated policies.

Thus, while acceptable procedures for certain types of transactions have been worked out through case notices, it is difficult for any but the most experienced practitioners to identify the relevant precedents and to determine their implications for a new situation.

Even experienced practitioners are often reluctant to advise on, or engage in, any transactions involving the US without first obtaining clearance from the SEC staff. The easiest answer is often simply to avoid any US involvement.

The proposed Regulation S would provide a coherent statement of the applicable law and would also reduce or eliminate the need for contractual restrictions on purchasers, the most awkward being the restrictions on resales in the US for a stated period of time and the certification of non-US ownership.

On the other hand, the proposal is no retreat from the SEC's assertion of the extraterritorial reach of US law, and its complexity will not significantly reduce the need for expert interpretation. Also, the flexibility inherent in the current case-by-case approach may be lost, because the SEC intends to reduce sharply the number and variety of situations in which its staff will give interpretive advice.

Nevertheless, the proposal does represent a significant effort by the SEC to deal with increasing internationalisation of the security markets. It has also provided the international financial community with a unique opportunity to influence, by comments on the draft, regulation in the international arena.

In addition to general guidelines, the proposed regulation provides two "safe harbours" for avoiding registration of securities flotations and offers. Regulation S is complex, but its provisions are tailored for specific categories of issuers and sellers, stating requirements separately for US reporting companies, non-reporting companies with no significant US market interest, and non-reporting companies with significant US market interest.

Adopting a "territorial" approach, Regulation S provides generally that flotations or sales of securities must be registered with the SEC only if they are made inside the US.

Under the proposed guidelines, the location of a given flotation will depend on:

- Where the offers or sales occur;
- Where the securities are likely to come to rest;
- The justified expectations of the parties as to whether US law would apply, and;
- Whether "directed selling efforts" – ie, marketing activities – take place in the US.

Practitioners may rely on these general principles or, for additional protection, may structure transactions to come within one of the Regulation's two "safe harbours."

The "issuer safe harbour" establishes requirements which become progressively more restrictive depending on whether the issuer files information with the SEC and whether there is significant US market interest in that issuer.

Thus, least restrictions apply to offers by issuers that do not file reports with the SEC, and enjoy little US market interest. If these securities are sold only through non-US securities exchanges or to persons who are outside the US and there are no US marketing efforts, there is no need to worry about US registration.

In the case of issuers reporting to the SEC because of greater US market interest in their securities, all members of the underwriting syndicate must also agree not to sell the securities in the US or to US persons for 90 days after conclusion of the flotation. All promotion materials must disclose these restrictions.

Non-reporting issuers, in which there is significant US interest, are subject to the strictest requirements since little information is available about them in the US and the risk that they may enter the US markets can be high. To avoid registration, these issuers must meet all the preceding requirements and must also verify that none of the securities was purchased by a US person before issuing any individual securities certificates. For equity securities, a one-year, rather than a 90-day holding period is required prior to US sales and purchasers must agree to restrictions on resale.

The "resale and safe harbour" permits persons who are neither issuers nor underwriters to sell securities on a non-US securities exchange without inquiring as to the identity of the purchaser, but they may not prearrange a sale to a US purchaser. For a non-exchange transaction, resellers must follow the same requirements as issuers and underwriters, except the disclosure and holding period requirements. They must also require their purchasers to comply with the same requirements.

Reactions to the proposed regulation have been generally favourable, except from the market for American depository receipts (ADRs). The regulation would require a one-year bar on deposits of equity securities in an ADR facility sponsored by a non-reporting issuer when that issuer engages in a flotation of securities of the same class.

It is feared that this restriction would so disrupt the ADR process for non-reporting issuers that it would discourage their sponsorship of ADRs, thus denying access to that market to most US investors.

Commentators also fear increased SEC regulation of ADRs, which would not be welcome to issuers that have chosen to distribute in the US via ADRs precisely to avoid SEC regulation.

Responding to these concerns, members of the SEC staff have indicated unofficially that the final Regulation will treat non-reporting issuers with sponsored ADR facilities the same as reporting issuers, subject to only a 90-day holding period.

In brief, while the proposed regulation does not curtail the reach of SEC requirements, it provides some welcome clarification and should permit many non-US offerings to proceed with much diminished concern that they may somehow become subject to the SEC.

By failing to accept any foreign regulation as a substitute for its own, however, the SEC's proposal represents very little progress towards the system of reciprocal disclosure and regulatory accommodation which many had hoped for.

Progress on this front will have to await successful bilateral negotiations towards a reciprocal system, and SEC officials say that talks are under way with both Canada and the UK.

Mr Byrne in London and Mr Mostoff in Washington DC are partners in Dechert Price & Rhodes. Mr Rosenblat is counsel to this law firm in Washington DC.

Tisco plans offer for foreign investors

By R.C Murthy in Bombay

TATA IRON and Steel Company (Tisco), India's largest private sector company, plans to offer part of its equity to international investors through a convertible debenture offer on world stock exchanges.

The proposal, yet to be approved by the Indian Government, is designed to offer for the first time direct access for the international investor to Indian corporate equity.

So far, the access has been indirect, through investment in mutual funds managed by the Unit Trust of India. New Delhi will have to change its foreign exchange regulations and corporate law to allow Tisco to take its equity offer overseas.

The company's proposal comes on the heels of a suggestion from SBI Capital Markets, a merchant banker, that the Government selectively allow Indian companies to sell part of their equity through international bourses.

A shift in the Indian Government's preference for equity investment from foreign loans has been evident in recent years as the country's debt servicing burden has mounted.

Mr D. Basu, chief of SBI Capital Markets, says opening up the economy for direct foreign investment in corporate stock depends on how speedily the laws can be changed and guidelines set.

The falling value of the rupee is a deterrent to investment, even if it is denominated in foreign currencies.

India Fund, the Guernsey-based mutual fund subsidiary of Unit Trust of India, is quoted below par on the London Stock Exchange, even though the net asset value is well above par.

Merchant bankers say companies with export bias are well placed to offer their equity to overseas investors, since their export earnings will be able to service the equity without straining foreign exchange reserves.

Australian mining group arranges $260m facility

By Our Euromarkets Staff

RENISON Goldfields Consolidated, the Australian mining group, has arranged a $260m multi-option facility through BA Asia.

The financing has a seven-year maturity and will be repaid starting in 1992.

Together with current cash resources, the group said it now had A$460m (US$393m) of available funds.

- New Japan Securities said a special purpose company, Fighter III, was issuing a $35m secured Euro Commercial Paper programme, Reuters reports.

The four-year programme will be backed by 4¾ per cent bond issued by Daishinpan and guaranteed by Sanwa Bank and will have roll-over dates every three months. New Japan Securities is sole arranger and sole dealer for the issue.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday December 22 1988: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed Dec 21: Index No.	Tue Dec 20: Index No.	Mon Dec 19: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (208)	766.12	—	12.23	4.65	10.02	25.27	766.13	767.57	764.05	737.97
2	Building Materials (28)	927.96	+0.4	13.73	4.91	8.96	33.27	924.41	929.32	923.65	978.73
3	Contracting, Construction (39)	1452.83	+0.2	13.60	4.20	9.59	46.70	1449.32	1453.75	1449.20	1483.42
4	Electricals (10)	2257.25	+0.3	9.59	5.00	12.57	77.61	2250.02	2264.47	2251.14	2857.59
5	Electronics (30)	1746.62	-0.3	10.74	3.74	12.05	46.85	1752.40	1747.82	1738.87	1558.05
6	Mechanical Engineering (54)	403.67	+0.1	11.66	4.58	10.42	13.75	403.38	403.05	400.82	373.69
8	Metals and Metal Forming (8)	450.55	—	16.77	6.42	6.80	14.31	450.28	448.57	446.80	437.46
9	Motors (16)	255.71	-0.5	13.17	5.30	8.77	9.80	257.03	259.17	257.85	275.33
10	Other Industrial Materials (23)	1290.48	-0.1	10.56	4.03	11.19	45.45	1292.10	1295.86	1296.20	1255.82
21	CONSUMER GROUP (188)	1008.00	+0.2	10.32	4.13	12.15	29.69	1005.75	1007.67	1002.22	1048.35
22	Brewers and Distillers (21)	1108.57	—	11.48	4.02	10.88	38.06	1109.15	1115.24	1113.05	1004.66
25	Food Manufacturing (21)	911.34	+0.6	10.05	4.22	12.49	27.16	905.91	906.19	901.68	854.95
26	Food Retailing (16)	1764.43	-0.2	10.29	3.97	12.79	51.41	1768.82	1770.79	1757.59	2102.51
27	Health and Household (13)	1780.35	+0.5	7.54	2.84	15.20	40.69	1770.76	1777.24	1761.86	1803.42
29	Leisure (31)	1330.12	-0.1	9.24	3.97	13.80	37.72	1331.75	1334.73	1333.88	1154.04
31	Packaging & Paper (17)	514.95	-0.1	10.83	4.37	11.49	16.19	515.48	516.44	511.97	511.21
32	Publishing & Printing (19)	3196.65	—	9.56	4.80	13.08	106.59	3195.38	3199.10	3174.65	3375.01
34	Stores (34)	675.61	+0.3	12.60	5.09	10.44	23.22	673.32	671.76	668.61	860.34
35	Textiles (16)	453.54	+1.1	15.35	6.20	7.81	19.12	448.75	451.28	444.95	607.12
40	OTHER GROUPS (92)	885.74	—	11.86	4.87	10.30	28.79	886.26	886.51	880.90	868.33
41	Agencies (19)	1026.49	—	8.76	2.75	14.32	21.23	1026.40	1028.13	1012.12	1070.91
42	Chemicals (22)	1087.03	+0.1	12.66	5.23	9.49	41.73	1085.62	1080.12	1080.44	1182.08
43	Conglomerates (12)	1236.83	-0.3	11.95	5.79	9.70	54.04	1239.49	1242.11	1238.57	1144.53
45	Shipping and Transport (12)	1835.31	-0.6	12.20	5.12	10.70	62.48	1846.93	1850.21	1836.51	1740.15
47	Telephone Networks (2)	995.55	—	11.80	4.72	11.02	21.80	995.55	993.48	990.87	910.85
48	Miscellaneous (25)	1169.24	+0.2	12.32	4.70	9.23	41.15	1167.45	1165.81	1162.17	1187.40
49	INDUSTRIAL GROUP (488)	926.01	+0.1	11.27	4.47	10.97	28.96	925.23	926.58	921.54	928.54
51	Oil & Gas (12)	1729.80	-1.1	10.69	6.46	11.98	76.90	1749.40	1760.09	1761.57	1736.40
59	500 SHARE INDEX (500)	994.15	-0.1	11.19	4.75	11.10	33.01	995.02	997.12	992.60	997.02
61	FINANCIAL GROUP (123)	664.98	-0.4	–	5.35	–	26.52	669.90	672.99	672.23	658.25
62	Banks (8)	659.70	-0.6	21.49	6.58	6.24	32.18	663.85	666.99	665.07	663.54
65	Insurance (Life) (7)	921.84	-1.1	–	5.84	–	39.41	931.68	933.23	926.80	965.20
66	Insurance (Composite) (7)	519.50	-0.4	–	6.01	–	24.04	521.36	523.62	521.91	522.42
67	Insurance (Brokers) (7)	902.77	-0.1	9.70	7.20	12.00	46.87	904.03	904.85	909.60	938.36
68	Merchant Banks (11)	320.38	+0.8	–	4.68	–	10.93	317.80	313.69	313.19	351.20
69	Property (52)	1190.74	-0.3	6.00	2.09	21.29	25.65	1194.23	1206.12	1211.36	1015.78
70	Other Financial (31)	341.13	-0.2	10.32	5.30	12.11	15.12	341.91	342.96	342.90	391.15
71	Investment Trusts (76)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81	Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91	Overseas Traders (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99	ALL-SHARE INDEX (709)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 21	Dec 20	Dec 19	Dec 16	Year ago
FT-SE 100 SHARE INDEX	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

	PRICE INDICES	Thu Dec 22	Day's change %	Wed Dec 21	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	5-15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	Index-Linked					
6	5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7	Over 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8	All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9	Debentures & Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	Preference	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS: [illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	92	9	10
Corporations, Dominion and Foreign Bonds	13	2	36
Industrials	315	337	931
Financial and Properties	128	121	423
Oils	21	22	61
Plantations	0	0	13
Mines	51	26	112
Others	68	63	120
Totals	688	580	1,706

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
58	F.P.	–	66	58	Apollo Metals 10p	66	+1	R2.0	2.9	4.0	11.3
20	F.P.	16/12	30	21	Apollo Watch Prods. 3p	29		b0.45	3.0	2.1	19.5
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
[illegible]							
2½	Nil	–	1pm	½pm	Swangard Studios 1p	½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. n Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ∮ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ‡‡ Unlisted securities market. ∳ Official London listing. □ Including warrants entitlement. ° Third Market.

TRADITIONAL OPTIONS

- First Dealings: Dec 19
- Last Dealings: Jan 6
- Last Declarations: Mar 30
- For settlement: Apl 10

For rate indications see end of London Share Service

Calls in PML, ML Labbs, Essex, Chrysalis, Rosehaugh, De La Rue, Lonrho, Ald Lyons, Wimpey, ICH, Regentcrest, Holmes Prot. PC in Thorn Wrnts.

LONDON TRADED OPTIONS

Option		CALLS Jan	CALLS Apr	CALLS Jul	PUTS Jan	PUTS Apr	PUTS Jul
Allied Lyons (*439)	420	28	44	55	5	11½	19
	460	5½	22	34	24	29	37
Brit. Airways (*160)	140	23	28	30	1½	3	6
	160	7	13	17	4½	8	12
[illegible]							

Option		CALLS Feb	CALLS May	CALLS Aug	PUTS Feb	PUTS May	PUTS Aug
BAA (*266)	260	15	26	30	5	[illegible]	[illegible]
	280	5½	14	20	16	[illegible]	[illegible]
BAT Inds (*443)	420	36	46	56	4½	[illegible]	[illegible]
	460	12½	22	33	21	[illegible]	[illegible]
Brit. Telecom (*255)	240	18	27	32	3½	[illegible]	[illegible]
	260	6	13	17	12	[illegible]	[illegible]
Cadbury Schweppes (*326)	300	38	46	53	5	[illegible]	[illegible]
	330	19	28	37	17	[illegible]	[illegible]
	360	7½	18	25	37	[illegible]	[illegible]
Guinness (*332)	300	40	48	54	2	[illegible]	[illegible]
	330	16	24	34	9	[illegible]	[illegible]
	360	4	10	17	30	[illegible]	[illegible]
LASMO (*479)	420	77	93	110	9	[illegible]	[illegible]
	460	48	68	82	18	[illegible]	[illegible]
	500	25	47	63	40	[illegible]	[illegible]
P. & O. (*522)	500	40	52	58	8	[illegible]	[illegible]
	550	12	22	32	29	[illegible]	[illegible]
	600	5	8	16	80	[illegible]	[illegible]
Pilkington (*200)	200	11	17	21	9	[illegible]	[illegible]
	220	4	9	13	23	[illegible]	[illegible]

Option		CALLS Feb	CALLS May	CALLS Aug	PUTS Feb	PUTS May	PUTS Aug
Plessey (*217)	200	26	33	37	5	8	10
	220	13	21	25	13	15	18
Prudential (*150)	140	14	17	18	3½	6	6
	160	3	7	10	14	16	17
	180	1	3	–	32	33	–
[illegible]							

Maxwell sells BPCC to management for £265m

By Andrew Hill

MAXWELL Communication Corporation, the publishing and information group, yesterday confirmed the sale of BPCC, Britain's largest commercial printer, for £265m cash to a management team led by Mr John Holloran, MCC's executive vice-chairman in charge of UK printing.

MCC will retain up to 24.7 per cent of Bucksmere, the BPCC buy-out vehicle, at a cost of £21.6m, and it is thought that the management team will hold about 10 per cent of the new company. The rest will be held by institutions through the Electra Candover Investment Plan.

Mr Robert Maxwell, MCC chairman and chief executive, said the disposal was aimed at reducing debt following the purchases of the Official Airline Guides division of Dun & Bradstreet and Macmillan, the US publisher. MCC also hopes to raise up to $1bn (£555m) in the US with disposals of non-core businesses, some of which have already taken place.

The company's stakes in two printing groups – 25.6 per cent of Norton Opax and 14.9 per cent of De La Rue – were not included in the deal, but it is thought that they will eventually be sold.

MCC first announced that it would dispose of its UK commercial printing interests at the beginning of November. The group had also encouraged speculation that British Newspaper Printing Corporation, which prints Mr Maxwell's national newspapers, was for sale, but Mr Maxwell said yesterday it would be retained.

The publishing group will also hold on to BPCC properties valued at £30.4m, and certain printing businesses with net assets of £6.3m. Bucksmere may pay a further £30m for the business – £10m if it sells certain BPCC operations and £20m dependent on the company's value at the time of its sale or listing, which could take place within five years of the buy-out.

Mr Maxwell bought British Printing Corporation in 1980, when it was near to bankruptcy.

He said yesterday: "I am proud to be able to sell BPCC to the management-led buy-out. The company is sound technologically, it is up to date, it has good orders and we will remain a substantial shareholder and one of its major customers."

Business generated by MCC and Mirror Group Newspapers, which is privately owned, accounts for about 10 per cent of BPCC's turnover, which reached £290.6m in 1987. Operating profits were £36.5m and net assets stood at £177.3m.

St Ives, the printing group, is thought to have submitted a higher offer than BPCC's management, but would have encountered monopoly objections had it proceeded.

The leveraged buy-out is being funded by Standard Chartered Bank and by institutions investing through Electra Candover.

Mr Michael Stoddart, chairman of Electra Investment Trust and new chairman of Next, the retail group, is to be non-executive chairman of Bucksmere, which intends to change its name to BPCC in due course. Mr Holloran will be chief executive, and Mr Ian Maxwell, MCC's joint managing director, will be a non-executive director.

See Lex

BZW appointed by Edelman

By Maggie Urry

THE GROUP of investors controlled by Mr Asher Edelman, New York-based arbitrageur, which has recently built up a 5.6 per cent stake in Storehouse has appointed Barclays de Zoete Wedd, securities house, as advisor.

Storehouse, headed by Sir Terence Conran, is a retail group which includes the BhS, Mothercare, Habitat and Richards chains.

Mr Corey Horowitz, of Plaza Securities in New York, a partner of Mr Edelman, said BZW had been appointed "to provide advisory services with respect to our investment in Storehouse."

He said the investors were not ready to state their intentions towards Storehouse. The advice expected from BZW could cover further share purchases or sales, or even a bid for the company.

Mr Patrick Bourke of BZW said the first task would be to review options open to Mr Edelman's group. He said they were "serious people".

The announcement was made after the market closed last night. Storehouse shares had closed 2p lower at 185p.

A year ago Storehouse fought off a bid from Benlox, a small engineering company, and there has since been repeated bid speculation about the group.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bankers' Inv Tr ....fin	0.66	Feb 28	0.52	1.92	1.6
Kelsey Inds ....fin	7.5	–	6.875	11.25	10
North'brian Food......int	0.75§	-	0.75	-	2
Radiant Metal ....int	1	Feb 3	1	-	3
River Plate/Gen ....fin	3.668	-	-	6.668	-

Dividends shown pence per share net except where otherwise stated.

KIO/Hillsdown

The Kuwaiti Investment Office has increased its stake in Hillsdown Holdings, food, furniture and property group, from 6.34 per cent to 7.05 per cent.

Textron narrows the gap in its Avdel bid

By Nikki Tait

TEXTRON, the large US conglomerate which earlier this week made a £125.2m recommended bid for Avdel, UK fasteners group, yesterday edged its way closer to control with further purchases of its target's shares.

Textron announced that it had bought another 775,000 ordinary shares at 92p each and a further 342,000 10 per cent cumulative preference shares.

After Wednesday's market spree, this means that Textron now has 16.3 per cent of the total voting rights.

Institutional investors speaking for 26.1 per cent of the votes have also indicated their support for the Textron offer.

This takes its total control of the voting rights to 42.4 per cent.

In addition, application has been made to the Stock Exchange to list some new ordinary shares upon the exercise of directors' share options.

If these shares, plus those already held by directors, were assented to the offer, Textron's advisers calculate that they would account for a further 2 per cent of the enlarged equity.

Textron's current level of control, however, is still slightly below the formidable 43.1 per cent of the voting rights owned by US-based Banner Industries, the rival bidder.

Banner's offer, which cannot be increased, is pitched at 88p a share compared with Textron's 92p.

Intriguingly, some shares were changing hands at 93p yesterday – above the Textron offer price – and Avdel shares closed at a mid-price of 92½p. Neither Banner nor Textron had any explanation for the trading, although both agreed the number of shares involved was small.

Textron has not declared its offer final, and one explanation might be that someone is punting on the possibility that it will raise its terms in an effort to secure Banner's stake.

Hanson unbowed by borrowings setback

By Nikki Tait

HEAVENS – what one has to go through to get £11bn.

Extraordinary meetings called to approve the extension in the borrowing powers of Hanson, the acquisitive UK conglomerate, yesterday ended in a technical stalemate when insufficient proxies were submitted by holders of loan stock and convertible preference shares.

More than 50 per cent of the loan stock class had to be voted and one-third of the preference shares. The actual turnout was well below those levels - an eventuality which Mr Martin Taylor, deputy chairman, said the company fully anticipated.

New meetings, therefore, have been called for January 6 and December 29 respectively, when the motions – which will extend Hanson's borrowing limit from £6.5bn to £11bn, and permit it to buy in shares if it wishes - can be passed on a show of hands.

Not that the Hanson faithful were unsupportive. Of the proxies received, 99 per cent were in favour. More than 100 shareholders even turned up at the Royal Lancaster Hotel – a thoughtful 10-minute walk from Oxford Street – to register their votes in person.

It was a cordial occasion. A gentle hubbub, reminiscent of the best vicarage tea-parties, encompassed the gathering as the appointed hour approached. "It's a good turnout," remarked one woman. "Well," replied her husband, "one expects it."

Lord Hanson was appreciative. He knew how busy shareholders were; he apologised for the tiresome technicalities; he sped through the complex proceedings with the festive air of a pantomime compère.

The questions were few. One shareholder, however, did press Lord Hanson on the thorny matter of goodwill. Lord Hanson, throwing accounting caution to the winds, proffered his own definition. "If you're trading a horse, it is the value to the buyer, and what the seller can get for it," he stated firmly.

And, having wished shareholders "a very, very happy Christmas," he paused just long enough to note that a radio astrologist had said that January would be an excellent month for all Capricorns, of which he is one. No doubt, the £11bn limit will be satisfactorily approved by then.

Courtaulds expands US industrial films

By Alice Rawsthorn

COURTAULDS, international textiles and chemicals group, is expanding its industrial films interests in the US by buying Andus, which specialises in high tech film coating, for up to $25m (£13.9m).

Andus is in the vanguard of developing high tech processes for coating film for industrial uses through reactive sputtering from its base at Canoga Park, California.

It is expected to muster sales of $4.4m this year.

Courtaulds is buying Andus from Raychem, a world leader in the production of treated plastics for electronic applications.

It has agreed to make an initial payment of $15m, together with a performance related $10m.

Last year Courtaulds bought Martin Processing, a US manufacturer of high performance films, based in South Virginia, for $99m. Martin has shown encouraging growth in sales and profits since the acquisition.

Mr Richard Lapthorne, finance director of Courtaulds, said the acquisition of Andus represented an opportunity to "add critical mass" to Martin's technology and to move into new niche markets.

Andus' technological skills could, he said, be used in some of Martin's projects thereby accelerating its product development programme.

The addition of Andus, as a West Coast company, to Martin's activities on the East Coast also gives Courtaulds a wider geographical presence within industrial films in the US.

Raychem had considered buying Martin to augment Andus' activities before the Courtaulds acquisition.

Andus presently supplies patented products to several Raychem start-up ventures.

It has now entered into a long term contract to continue supplying these products to Raychem.

Courtaulds, which has expanded steadily outside its traditional areas of fibres and textiles in recent years, is committed to establishing an international presence in industrial paints.

Mr Lapthorne said he envisaged further acquisitions in the sector.

Kitty Little warns of downturn

By Vanessa Houlder

SHARES IN Kitty Little, the USM-quoted manufacturer of fragrance products, yesterday lost 11 per cent of their value when the company warned of a likely fall in profits. At the same time, the company announced a joint venture for the sale of non-prescription reading glasses.

Mr Graham Webster, chairman, said that head office costs had increased while disappointing Christmas sales meant that turnover for the year to January 31 would not exceed that of last year.

He attributed the flat sales growth to the general weakness of the retail sector together with a shift in consumer tastes away from fragrant goods such as sachets and spice ropes towards pot pourri.

The company was now taking corrective action by setting up a specialist pot pourri company, said Mr Webster. This would help even out the seasonal pattern which is heavily biased towards the end of the year.

Kitty Little also said that it was broadening its base by entering a joint venture agreement with Al Nyman & Son, the US manufacturer of "Magnavision" reading glasses. A pilot project to market the glasses in the UK will be launched when new legislation permitting the sale of non-prescription reading glasses takes effect in April 1989.

Mr Webster said that the company planned to use its broad experience in consumer marketing to sell the glasses through its traditional distribution channels of chemists and department stores.

The Magnavision reading glasses, which are sold in the US, Canada, Sweden and Japan are intended for people over 40 whoseeyesight is inadequate for reading and close up work. Mr Webster said that the introduction of non-prescription glasses was expected to increase the overall size of the spectacle market by 8 per cent.

Shares in Kitty Little, which came to the USM in April priced at 90p, lost 10p to close at 83p. In the year to January 31 1988, it made pre-tax profits of £846,000 on sales of £4.13m.

Cambridge Instrument closure warning

By Clare Pearson

Cambridge Instrument, the scientific equipment company which is increasingly emphasising its optical products side, yesterday said it would close down its small-scale industrial division if a sale had not been agreed by the end of March.

Negotiations to dispose of the division, which makes process controls, flow valves and relays are in train. In the last financial year its turnover totalled £6m, against group sales of £63.7m. Based in south-east London, it employs between 150 and 200 people.

Cambridge has also said it is seeking to shed part of its troubled semi-conductor business.

UK COMPANY NEWS

London Shop's raised NAV of 390p is main plank of defence

By Paul Cheeseright, Property Correspondent

LONDON SHOP yesterday put into place the main element of its defence against Peel Holdings' hostile £282m bid. It declared, after a property revaluation, that the underlying asset value of each of its shares was 390p.

Peel responded by stating that its existing offer of 315p a share would remain on the table. The offer's closing date is December 29.

Healey and Baker, chartered surveyor, found that London Shop's British property portfolio, assessed in accordance with Royal Institution of Chartered Surveyors guidelines to reflect their open market value, was worth £319.46m.

But it added that, given the time it takes to assemble such a portfolio and the future opportunities for development within it, disposal could result in a price 10 per cent above the certified value.

This additional valuation is significant in that it anticipates the publication, probably at the end of next January, of additional RICS guidelines on the valuation of property. These will focus on the potential value of a property where there is a prospective purchaser with a special interest.

The result of this approach has been to give London Shop shares two net asset values – the first based on the open market value of the property at 358p and the second, looking at its potential value, of 390p.

SHT builds 49.8% stake in Rangaire

By Vanessa Houlder

SCOTTISH HERITABLE Trust, York-based industrial and property group, yesterday announced that it has increased its stake in Rangaire, Texas-based quarrying company, to 49.8 per cent.

The company said that it was unlikely to increase its holding at this stage, although it declined to rule out the possibility of a full bid in the future.

SHT has bought a 17.9 per cent stake for \$5.9m (£3.2m) in cash. This follows its purchase of a 28 per cent stake in August. SHT is now believed to be planning disposals in order to reduce its borrowings.

The company said that it intends to work closely with the board of Rangaire for the mutual benefit of both companies.

SHT, which has three seats on Rangaire's board is thought to wish to reduce overheads and rationalise Rangaire's less profitable businesses.

Rangaire, which is traded on NASDAQ, is involved in limestone processing, lighting fittings, cooking hoods, compact freezers and refrigerators. It made pre-tax profits of \$3.5m on turnover of \$81.8m for the year to July 31.

Modest growth at Arlen

ARLEN, electrical accessories group, reported a marginal increase in taxable profits from £754,000 to £797,000 in the six months to end-September.

Turnover expanded 26 per cent to £8.53m.

Tax took £289,000 (£247,000), leaving earnings of 4.69p (5.13p) per 20p share. The interim dividend is raised to 1.1p (1p).

Mr Leslie Hancock, chairman, attributed the modest profits growth to substantial investment in its electrical product range which caused "some interruption" in factory production flow during the first half.

Divorce filed at Lee Int and Panavision

By Clay Harris

The highly leveraged marriage of Lee International, film lighting manufacturer, and Panavision, US-based camera and lens group, has come unstuck after only 15 months.

Westward Communications, unquoted vehicle for the original £198m buy-out, has sold, for a nominal sum, all operating companies except one to Lee Panavision International, a company created by Warburg Pincus Capital, the US investment bank.

Lee Panavision has assumed Westward's \$340m (£187m) debt and, in turn, has received a \$60m cash injection of operating capital from Warburg Pincus, which has renegotiated the group's loan package with the original Citicorp-led syndicate.

The new company is taking over Panavision, Lee America's manufacturing and rental operations, and the group's UK studio and manufacturing interests.

Pennant delays Bay sale

PENNANT PROPERTIES, Australian-controlled international property developer and investor, is to delay the sale of its majority stake in Bay Financial, a US company, in order to retain the disposal profits for its own shareholders.

Pennant, formerly Country and New Town Properties, said it had discovered that Securities and Exchange Commission regulations required that profits on any disposal of Bay shares within six months of purchase be returned to Bay shareholders.

Accordingly, Pennnant has delayed until March next year the extraordinary general meeting to approve sale of the 56 per cent stake, which is carried in its books at \$52m (£29m).

The disposal will take place after April 1.

Sterling Inds rises 39%

STERLING INDUSTRIES, light engineer, reported pre-tax profits increased 39 per cent from £711,000 to £986,000 for the six months to September 30.

Turnover was sharply up at £7.33m (£3.9m). Operating profit rose to £569,000 (£316,000) and investment income, less interest payable, was £417,000 (£395,000). The investment income figure included dividends of £484,000 (£360,000) from the group's 8.5 per cent holding in Caledonia Investments.

Tax took £318,000 (£220,000) leaving earnings per 2½p share up at 3.31p (2.42p). The interim dividend is lifted to 1.1p (1p).

Kingsrange restructure

KINGSGRANGE, scented toiletries manufacturer, has sold a 50 per cent stake in its North American businesses for C\$3.8m (£1.75m).

Mr Lyle Blair and Mr Robert Foster, Canadian businessmen, have acquired the 50 per cent stake in those operations, which will now be run as a joint venture known as Kingsrange America.

Mr Ian Aldred, chairman of Kingsrange, said the move had been decided because there were problems managing those businesses from the UK. The group will bring £1m of the £1.75m back to the UK to significantly reduce borrowings.

Pre-tax profits at Kingsrange dropped from £1.2m to £170,000 in the year to April 30 1988, following losses on a contract with the US K-Mart group and stock losses in Canada.

Cambium marina move

By Clay Harris

CAMBIUM VENTURE Capital plans to pay £1.3m in shares to buy the 51 per cent it does not already own in Universal Shipyards (Solent), a marina operator in Hampshire.

The deal reflects Cambium's intention to alter its status from investment company to holding group. Shareholders will be asked to approve the move at an egm on January 17.

Cambium, which is to change its name to Flagstone Holdings, will also sell several small investment stakes.

It intends to seek controlling interests in companies in three divisions: marine and leisure, industrial and property.

Claremont (UK)

The rationalisation programme at Claremont (UK), oil and gas company resulted in sharply reduced losses for the year to September 30.

The taxable deficit of £577,000 compared with £1.05m previously. There was an advance in sales from £99,000 to £244,000.

Electronic Data

Electronic Data Processing reported pre-tax profits virtually static at £1.37m, against £1.35m, for the year to September 30.

Turnover was £14.76m (£14.24m). Earnings were 11.77p (11.97p) and a proposed final dividend of 1.725p makes 2.375p (2.1p) for the year.

COMPANY NEWS IN BRIEF

ABERDEEN PETROLEUM incurred loss of £329,000 in first half of 1988 (loss £21,000) from turnover of £987,000 (£789,000). Weak oil prices continued into the second half but there are encouraging signs of strengthening gas prices in North America. The group will start 1989 in strong position.

AMERICAN DISTRIBUTORS has received acceptances in respect of 11.51m shares (51.42 per cent) for its open offer. Placees will take up the remaining 10.87m shares.

ELECTRONIC MACHINE'S rights issue was taken up in respect of 726,156 ordinary shares (58.68 per cent). The balance has placed in the market.

FISONS public offering in Japan of 12.5m new ordinary has been completed. Trading on the Tokyo Stock Exchange has commenced.

HEYWOOD WILLIAMS has purchased Birmingham Safety Glass (Holdings) for a consideration of 805,510 ordinary shares and £1.87m cash. Principal activities of BSG are wholesaling and fitting of automotive safety glass; in year ended April 30 1988 pre-tax profit was £344,000 on turnover of £6.27m.

ISLE OF MAN Enterprises: Turnover £4.65m (£2.51m) and taxable profits £453,359 (£303,410) for year to October 30 1988. Earnings per 5p share 6.87p (4.59p) and dividend 2.25p (1.625p adjusted for subdivision of shares).

KLEINWORT CHARTER Investment Trust: Net assets per share were 150.2p as at November 30 1988 compared with 128.7p a year earlier. Earnings per share 3.91p (3.16p) for year to end-November. Final dividend 2.3p making 3.25p (2.875p).

LOVELL (GF), confectionery manufacturer, saw pre-tax losses increase to £86,000 (£82,000) in six months to October 1. Turnover £2.01m (£1.75m). Losses per share 6p (5.8p). Company is a subsidiary of Kirby & West.

NORTH of SCOTLAND Investment Company: Net asset value per 10p share amounted to 25.22p (24.14p) at November 30. Net revenue for the six months to November 30 totalled £34,562 (£1,266) after tax of £11,500 (£500). Earnings 0.18p (0.01p). No interim dividend.

PAVILION LEISURE: The recent rights issue was taken up as to 718,512 shares (54.8 per cent). The balance was placed with clients of Charlton Seal Schaverien.

PERSIMMON is acquiring Bettawaze Investment for a maximum £1.65m, the initial consideration of £548,000 being met by the issue of 342,531 shares. Bettawaze's principal asset is land in Easingwold, near York. Further payment will depend on the amount of planning permission obtained.

RADIO CLYDE offers for North of Scotland Radio have become unconditional and will remain open. Acceptances have been received in respect of 316,301 NSR ordinary (81.99 per cent) and 157,817 preference (18.82 per cent).

REUTERS HOLDINGS has agreed to a management buyout at Promis Systems Corporation, a Toronto-based subsidiary of I.P. Sharp Associates, and provider of computer services to the financial services industry. Promis specialises in designing computer systems for manufacturing businesses.

RIVER PLATE and General Investment Trust: in year to October 31 1988, being first full period of split level operation, total income £5.53m (£2.45m previous 10 months) and net income £3.65m (£1.5m). Final dividend 3.6675p making 6.6675p on Income shares. Net asset value of capital shares 168.6p (170.1p).

RKF is acquiring Graffiti Design and Consultancy and the partnership of Graffiti Reproductions for £1.5m. The consideration is to be satisfied by the issue of 1m new ordinary shares and £400,000 cash. Graffiti currently supplies just under half of the reprographic material for magazines and periodicals printed by a subsidiary of RKF.

TATE & LYLE: Regulatory approvals relating to the acquisition of Amstar Sugar and the disposal of the group's cane sugar refining operations at Yonkers, New York, have been received.

TRAFALGAR HOUSE: proposed scrip dividend in lieu of the final ordinary dividend for 1987-88 of 8.8p per share will be at the rate of 1 new ordinary for every 33 shares held.

VICTORIA CARPET Holdings: Turnover £19.71m (£15.99m) and pre-tax profit £1.1m (£701,499) for half-year to September 30. Earnings came through at 11.5p (6.97p).

WASSALL will declare its offer for Hille Ergonom unconditional and close the cash alternative on January 4, subject to the receipt of irrevocable undertakings becoming acceptances.

WILTON GROUP has split its 25p shares into 1p shares, and is applying for trading in the new form on the Third Market.

WINDSOR (insurance broker) incurred loss £103,000 for year ended September 30 1988 (profit £218,000) after exceptional debit £330,000 (nil). Extraordinary debits £142,000 (credit £404,000), giving losses per share 1.164p (earnings 1.527p). Rationalisation and reorganisation nearly complete and company confident of benefits soon. No dividend for year (0.8p).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interim- Sparell (C A).

FUTURE DATES

Interims-

Hambro Eurobond	Jan. 11
Hambro Currency Fund	Feb. 8
Markheath Securities	Jan. 11
Ross Consumer Electronics	Jan. 18
Stavert Zigomala	Dec. 29
Symonds Engineering	Jan. 19
Finals-	
Goring Kerr	Jan. 24
LPA Industries	Jan. 17

COMMODITIES AND AGRICULTURE

Coffee in retreat as export quota rises

By David Blackwell

PROFIT-TAKING and the prospective end to the port strike in Brazil yesterday wiped out Tuesday's sharp rise in coffee prices in London.

In addition, the International Coffee Organisation (ICO) announced a further increase of 1m bags in the total world export quota to 58m bags. The increase was widely expected and had been largely discounted by the market. It was made up entirely of arabica coffee because the differential with the less-favoured robustas was above the required 25 per cent.

At the close on the London Futures and Options Exchange (Fox) yesterday the March robusta contract was down £42 a tonne at £1,193 a tonne. On Tuesday the contract soared at one stage to £1,285 a tonne – the culmination of a steady rise in prices both in London and New York throughout December.

The main reason for the increases has been growing concern about supplies from Brazil, far and away the world's biggest producer.

Earlier this week the Brazilian Coffee Institute (IBC) forecast a 1989-90 crop of 22.9m bags, compared with previous estimates of up to 40m bags. But some London analysts believe the figure could be nearer 20m bags.

Severe frosts in July, followed by very dry weather in recent months have reduced the coffee crop in the Parana region in southern Brazil by 80 per cent. Other areas have been affected, albeit to a lesser extent.

Prices on the terminal markets were slow to catch up with internal prices in Brazil, so that some Brazilian traders have been slow to release their coffee. At the same time harvests in Colombia and Central America have been slowed by adverse weather.

The initial increase in ICO export quotas was triggered on the first of the month when the ICO 15-day average indicator rose above 114.40 cents a lb for the first time since delegates agreed a complex quota deal at the start of October.

Yesterday's increase depended on the indicator remaining above 114.40 cents a lb for 15 working days after the first. In fact, the indicator price was 121.01 cents a lb.

From the New Year the ICO will be defending a price of 120 cents a lb by making cuts in the total export quota. However, consumer countries have succeeded in their aim of bringing an extra 2m bags of arabica coffee onto the market, and any cuts in the New Year are likely to apply only to robustas.

Crunch time approaches for Australian gas venture

Chris Sherwell examines tricky decisions facing international joint venturers in the North-West Shelf

THE SIX international joint venturers in the North-West Shelf natural gas project off Australia are facing a tricky decision over its future development – and the moment of truth is not far away.

The crunch is due next month when, after two and a half years of analysis and A$100m (£47m) expenditure, they will finally try to decide whether a 26-well platform should be placed over the Goodwyn field.

The platform, representing an investment of A$1.8bn, would link up with the existing North Rankin A platform, 20 km to the north-east and of similar size. It would tap the second of several significant fields lying 130 km offshore, beneath 125 m of swirling ocean waters.

The proposed investment is part of the original A$12bn plan of exploration, production and onshore processing which makes the North-West Shelf one of the world's biggest and most exciting resource projects.

The six partners are Shell, BHP, Woodside Petroleum (the main shareholders in which are Shell and BHP), BP, Chevron and a joint venture between Mitsui and Mitsubishi. Each has an equal share, and for many it is their biggest single commitment anywhere.

There is no doubt among them that the Goodwyn platform will eventually be built and installed. The issue is whether the commitment should come now, so that it is in place by 1993 as originally conceived, or deferred for about five years.

Anxiety over the decision contrasts sharply with the air of confidence regarding North Rankin's performance and the progress of the vast onshore installations at Karratha now heading for completion.

North Rankin has been supplying 400m cu ft of gas a day to Western Australia's State Energy Commission since 1984. The commission sends the gas down a 1,500 km onshore pipeline to Perth and the industrial south-west of the state.

Next October the field is due to start 20 years of supplies of liquified natural gas (LNG) to eight major Japanese power and gas utilities, rising to a plateau of 5.84m tonnes a year by 1993 and supplying the needs of some 60m Japanese households and industries.

After major industrial disruption last year, construction of two liquified natural gas facilities onshore has gone so well over recent months that three early cargoes are being negotiated, to begin in July. On top of this, additional cargoes are being sought beyond existing contracts.

Technical upgrading work now under way on the North Rankin platform will increase its capacity from 1,200m cu ft of gas per day to 1,650 cu ft, making it one of the most prolific gas-producing platforms in the world.

Against this positive news is the harsh fact that the project's economics have been running against it ever since it began in 1980 – first because of the 1981-82 recession in Australia and latterly because of weak world oil prices.

On a net present value basis, the joint venturers are losing money on their domestic gas sales and can expect the narrowest of profit margins on sales of LNG. Unsurprisingly, any large expenditure is being looked at minutely.

In the case of the Goodwyn decision, it is clear that the joint venturers can meet their commitments to their Western Australian and Japanese clients from North Rankin alone until the late 1990s.

The complication arises with the discovery that the Goodwyn field, particularly in its northern sector, contains four times the level of condensate associated with its gas as North Rankin.

Being a light form of crude oil needed for gasoline products, condensate is seen by the joint venturers as a major bonus – a marketable product gained at incremental cost and offering welcome additional returns.

North Rankin has already been adapted to produce a high recovery.

With Goodwyn, the overall condensate production figure would climb to 80,000 b/d making the case for going ahead with the Goodwyn platform strong. This is supported by the Australian Federal Government, which is worried about the balance of payments consequences of declining domestic oil supplies in the 1990s.

Shell, on the other hand, is more pessimistic about oil prices, so it seems better to wait – a view reinforced by its access to alternative gas supplies in Brunei and Malaysia.

One intangible issue is whether a decision not to go ahead as originally planned might dent the confidence of the Japanese buyers in the six partners' commitment to the massive project.

Natural gas projects are, of their essence, long term, so the confidence factor is crucial. This is reinforced by the fact that any large Australian project is viewed as vulnerable to possible disruption because of industrial troubles.

Also important are perceptions about future demand for LNG, especially from Japan. BP, for one, sees LNG as a major beneficiary from concerns over expanding uranium use and the "greenhouse effect" of excessive coal burning.

Indeed, the North-West Shelf is reckoned to be a major source of LNG supplies well into the next century, and not just to the eight Japanese buyers.

The six partners have therefore embarked on a fresh programme of exploration to prove more reserves.

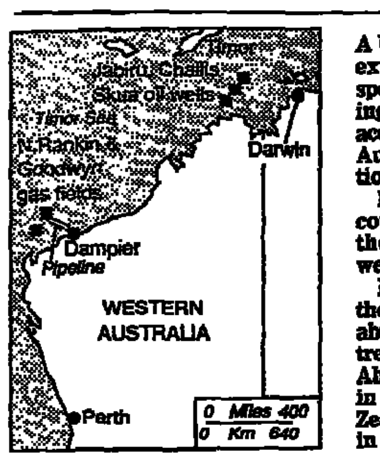
One well in the Echo field, west of Rankin, has come up positive, and there are the Wilcox and Dixon fields to explore further.

On top of this there is Scott Reef, almost twice as big as Rankin at an estimated 13 trillion (million million) cu ft of mostly dry gas, and far in excess of the Bruce field, the North Sea's largest, which has just 3 trillion cu ft. Further north there are the Petrel and Tern fields.

As things stand, LNG exports from the North West Shelf are already projected to bring in an estimated average of A$1.8bn a year in 1986 dollars, contributing some 3 per cent of Australia's export earnings – more if condensate exports are included.

Plainly these proportions could rise higher if the markets are secured. But that could be a problem – the US is currently pressing Japan hard to develop the remote Alaskan fields into the world's 12th base-load supplier of natural gas.

If nothing else, therefore, the Goodwyn decision may show how ambition can be tempered by commercial reality. Currently, the odds are in favour of its development. But in the gas business, nothing is certain.



AUSTRALIAN-BASED explorers are expected to spend A$672m (£320m) searching for oil and gas in 1989, according to a survey by the Australian Petroleum Exploration Association.

Details of the annual survey, covering 42 companies and their joint venture partners, were released yesterday.

It showed that A$250m of the planned spending would be abroad, a level thought to be treble that of three years ago. About A$72m would be spent in Papua New Guinea and New Zealand, and another A$93m in North America.

Of the remainder, some A$253m would be spent offshore (compared with A$290m in 1988) and A$169m onshore (A$250m). Overall, the number of widlcat wells would increase to 140 from 134, but the number of appraisal and development wells would fall.

The biggest increase in activity is expected to occur in the Gippsland Basin in Victoria, where 15 or 16 wildcat wells are likely to be drilled at a cost of A$109m, after only one in 1988. The other centres of activity will be Western Australia, South Australia and the Northern Territory.

Oil project put in doubt by contract problem

By Karen Fossli in Oslo

AN IMPORTANT Norwegian oil project has been put in doubt by the breaking off of talks about the building of an early production vessel.

Conoco Norway has halted main contract negotiations with K/S Nordic Invest, the Norwegian consortium which was to build the vessel, to be used to produce oil from mid-1990 in Heidrun, the northern Haltenbanken field.

The company, the Norwegian subsidiary of Houston-based Conoco, which is in turn a subsidiary of Du Pont, the largest US chemical company, said it had received information indicating that Nordic was unable to carry out the project in accordance with its bid.

The consortium is comprised of the Skeie group, the Rasmussen group, Sweden's Stena group, and Vard, the Norwegian cruise ship company.

For several months questions related to costs and the bidding round have surrounded the phased development project. Investment in the first phase used, is estimated at NKr4.6bn (£390m). Early production had been planned for a period of three years at a maximum rate of 60,000 barrels a day.

This week the Storting (Norway's parliament) approved the project and chose the small north-west coastal town of Stjoerdal as the operations base, despite questions raised about the project's economic viability.

It had been originally approved in May but the Oil Ministry decided to put it before the Storting again after the Norwegian Petroleum Directorate, the oil and gas industry watchdog, cut estimates for recoverable oil reserves to 550m barrels from 750m barrels. Gas estimates were also slashed to 1.02 trillion (million million) cu ft from 1.25 trillion cu ft.

Nordic negotiated with Astano, the Spanish shipyard, to build the vessel and the engineering work was to be undertaken by Sweden's Gotaverken Arendal. It seems, however, that the consortium added an extra NKr200m to costs, undermining the project's soundness, and encountered problems in raising the necessary financing.

Conoco is to re-evaluate the project, but in any case it will have to gain new approval by the Storting, should a new plan emerge. This could be difficult to achieve.

"If the consortium can salvage its bid our door will remain open," Mr Dieter Schaubert, assistant managing director of Conoco Norway, said yesterday.

Nickel and zinc forecast to be strongest metals

By Kenneth Gooding, Mining Correspondent

THE OUTLOOK for all base metals prices in 1989 is "fairly positive," according to Shearson Lehman Hutton's London metals team. But the long term fundamentals for nickel and zinc look better than those for the other metals, it adds in its latest weekly review.

Shearson points out, however, that all current base metal prices are so far ahead of production costs that "a slight deterioration in the fundamentals could see a significant correction in price."

Analyst Mr Neil Buxton suggests that, as 1989 unfolds, the copper market should return to a surplus of supply. But not until the second half of the year is there likely to be any large and sustained build up of stocks. "Eventually prolonged downward pressure should be seen and at some stage (a price of) $1 a lb should be breached."

Next year should also bring a build up of aluminium stocks from the current dangerously low levels. Again, however, it will take some time for supply to overtake demand sufficiently to undermine the market.

So for 1989 as a whole Shearson expects the copper price to weaken a little from the current level to average slightly under $1 a lb.

A modest surplus of lead might emerge next year. "However," says Shearson, "it is unlikely to be sufficient to seriously undermine prices and we are looking for an average of about 27 cents a lb compared with nearly 30 cents this year."

Prospects for nickel remain excellent and prices should remain firm for most of 1989, Shearson says. Meanwhile zinc faces another year of growing demand and the market should remain in short supply in 1989, keeping prices at about the current levels, the company predicts.

US sugar quota rises welcomed

By Canute James in Kingston

CARIBBEAN SUGAR producers, who have been hit hard by the progressive cuts in US import quotas, have welcomed the US decision to raise 1989 imports by 17 per cent. The increase in follows shortfalls in domestic production caused by drought, according to the US Government.

Guyana's quota has been increased from 10,900 tonnes to 12,600 tonnes for next year, while Belize and Jamaica will each be allowed to ship 1,580 tonnes more than the 10,000 tonnes they were allotted last year.

Mr Harold Davis, chairman of the Sugar Association of the Caribbean, a producers' organisation, said the increased quotas were "most constructive."

But the industry in Barbados, which did not get an increase on this year's 7,440 tonne quota, was baffled. Mr Errie Dean, chief executive of Barbados Sugar Industry, said he did not know why the island's quota was not raised.

Coal price back to pre-oil crisis level

By Maurice Samuelson

THE REAL price of coal has now fallen back to the level it held before the oil price explosions of the 1970s, according to a major report on the world coal market by Wharton Econometric Forecasting Associates.

It takes a cautious view of future prices of steam coal, which it expects to rise by only about 5 per cent by the year 2000, but says there is considerable uncertainty about future exports from South Africa.

Its other conclusions are that China, the world's biggest coal producer, will remain a minor exporter and that there could be a surge of imports by West Germany and the UK.

Despite growing political pressure from anti-apartheid campaigners, says Wharton, South African exports last year continued to rise – to 40m tonnes. The growth reflected South African coal's competitiveness – it enjoyed a $20 a tonne price advantage over its nearest rivals in Australia and the US, was cheap to mine and of high quality, and was intensively marketed.

However, if South African coal supplies were substantially reduced, either through widespread boycott or because of internal supply problems, prices would rise by 15 to 23 per cent, Wharton says.

Political pressures in or on South Africa could reduce its coal shipments from a projected 55m tonnes to 8m tonnes. That would boost prices by up to $17 a tonne cif in the Far East and around $11 in Europe.

The main beneficiaries of any restrictions on South African shipments would be Australia and the US, which would be encouraged by higher coal prices to boost their exports.

By the end of the century, Colombia and Venezuela would join Australia, the US, South Africa and Canada as the main international coal suppliers. But China, despite considerable optimism in recent years, was incapable of becoming a major coal exporter and might even become a steam coal importer.

This was because domestic demand would outstrip local supply and the Chinese infrastructure remained inadequate for domestic consumers and for the export terminals.

Nevertheless, the few export projects now being developed should be able to ship about 14m tonnes – close to current levels – by the mid 1990s, followed by unspectacular export growth and a more ordered local market as the infrastructure improved.

On Europe, the report assumes that UK power stations could import 15m tonnes a year following electricity privatisation and that by 1992, given recent statements by the Central Electricity Generating Board, imports could reach 33m tonnes, more than 40 per cent of its present consumption. But that would add about only $1 a tonne to world prices.

World Coal Trade in the 1990s – Trade Patterns and Prices, with statistical supplement; Wharton Econometric Forecasting Associates, Ebury Gate, Lower Belgrave St., London SW1 ONW. $3,950.

WORLD COMMODITIES PRICES

LONDON MARKETS

NICKEL prices closed sharply down on the London Metal Exchange yesterday after volatile trading. Three-month metal at one stage fell to $16,000 a tonne under a wave of merchant profit-taking, stale-bull liquidation and stop-loss selling, traders said. It rallied to $17,700 a tonne before closing at $17,050, a fall of $1,300 on the day. Traders said end-users now appear to have covered their end-year requirements. Substantial fresh major consumer orders are expected to be placed in the New Year and a breach of record highs set in March this year is expected. A fall on Comex helped to push copper prices down, while other base metals were steady in the run-up to Christmas. The cocoa market remained nervous in the absence of fresh details about the French aid package for the Ivory Coast, the world's biggest producer.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$12.80-2.90w	
Brent Blend	$15.25-5.30q	
W T I (1 pm est)	$16.40-6.43w	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$172-175	
Gas Oil	$151-153	
Heavy Fuel Oil	$75-78	+1
Naphtha	$140-142	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$417.75	+2.25
Silver (per troy oz)♣	616c	+2
Platinum (per troy oz)	$542	+1
Palladium (per troy oz)	$137.00	+0.75
Aluminium (free market)	$2500	+25
Copper (US Producer)	161½-167c	
Lead (US Producer)	41¼c	
Nickel (free market)	920c	+30
Tin (European free market)	£4167.5	+17.5
Tin (Kuala Lumpur market)	19.85r	+0.01
Tin (New York)	345.50c	+0.25
Zinc (Euro. Prod. Price)	$1500	
Zinc (US Prime Western)	72⅞c	
Cattle (live weight)†	114.74p	-1.85*
Sheep (dead weight)†	169.98p	+5.38*
Pigs (live weight)†	83.48p	+0.06*
London daily sugar (raw)	$275.0u	-6.8
London daily sugar (white)	$289u	-4
Tate and Lyle export price	£261.5	-4.0
Barley (English feed)	£112.5q	
Maize (US No 3 yellow)	£131	
Wheat (US Dark Northern)	£120.0v	+0.5
Rubber (spot)♥	55.00p	
Rubber (Jan)♥	62.50p	+0.75
Rubber (Feb)♥	63.00p	+0.75
Rubber (KL RSS No 1 Jan)	265m	
Coconut oil (Philippines)§	$565z	
Palm Oil (Malaysian)§	$400	
Copra (Philippines)§	$380	
Soyabeans (US)	$188.5q	+2.0
Cotton "A" index	62.35c	+0.10
Wooltops (64s Super)	637p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Dec/Jan. w-Feb. v-Apr/May. u-Jan/Feb. q-Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Dec	865	862	866	857
Mar	890	893	890	881
May	888	886	890	879
Jul	890	889	890	881
Sep	890	890	890	882
Dec	905	907	905	900
Mar	915	917	915	909

Turnover: 4546 (7511) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec 21: 1148.08 (1105.42):10 day average for Dec 22: 1082.08 (1082.08).

COFFEE £/tonne

	Close	Previous	High/Low	
Jan	1183	1220	1218	1165
Mar	1193	1235	1230	1175
May	1192	1222	1225	1175
Jly	1190	1220	1223	1177
Sep	1190	1220	1220	1186
Nov	1200	1228	1220	1212

Turnover: 5796 (10625) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec 21: Comp. daily 135.17 (132.08): . 15 day average 121.01 (119.68).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	250.00	249.60	254.00	247.00
May	247.00	246.40	249.00	244.20
Aug	240.80	239.60	239.00	237.60
Oct	234.00	235.60	236.80	234.00
Dec	230.00	236.00	230.00	
White	**Close**	**Previous**	**High/Low**	
Mar	284.50	284.00	287.00	282.50
May	281.00	280.50	281.00	279.00
Aug	281.50	281.00		
Oct	273.00	274.50	275.00	273.50

Turnover: Raw 1368 (2027) lots of 50 tonnes. White 745 (1936).
Paris- White (FFr per tonne): Mar 1725, May 1710, Aug 1710, Oct 1680, Dec 1670, Mar 1670

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
2350	160	174	6	81
2450	82	122	27	127
2550	32	82	77	185
Copper (Grade A)	**Calls**		**Puts**	
3000	364	286	11	183
3200	202	195	48	288
3400	90	128	135	417

FRUIT AND VEGETABLES

Fruit supplies are excellent with satsumas 30-60p a lb, homegrown cox's apples 35-65p and fresh ocean spray cranberries 80p-£1.00 a ½lb, reports FFVIB. Jaffa kumquats and Chilean apricots, both £1.50-2.00 a lb and lychees £2.00-2.50. Oranges 8-25p each and kiwifruit 14-24p remain stable. Brussels sprouts are 15-27p a lb, potatoes 9-12p for whites 12-16p red and carrots 10-30p. Onions are 14-20p and Celtic cabbage 14-25p. Good conditions have ensured that cauliflowers are abundant 45-65p each (55-70p). Top quality tomatoes are 40-65p a lb (32-58p), and cucumbers 60-80p each (45-70p) from Spania and the Canary islands. Other good salad buys include spring onions 25-45p a bunch, celery 40-60p a head and round lettuce 30-40p (28-36p).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 6,050 tonne
Cash	2485-505	2500-10	2495	2495-500		
3 months	2410-5	2420-5	2425/2400	2410-2	2405-10	23,710 lots
Copper, Grade A (£ per tonne)						Ring turnover 23,650 tonne
Cash	1885-8	1918-22	1910/1890	1890-1		
3 months	1722.5-3.5	1743-4	1743/1720	1731-2	1723-4	68,786 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	610-3	608-11		607-8		
3 months	624-7	622-5		621-2		462 lots
Lead (£ per tonne)						Ring turnover 8,425 tonne
Cash	406-8	406-8	411	411-2		
3 months	395-6	398-9	399/395	397-8	395-6	10,188 lots
Nickel ($ per tonne)						Ring turnover 3,924 tonne
Cash	19700-900	20350-400	20500/20400	20600-700		
3 months	17000-100	18300-400	18700/15800	18350-400	16900-7000	5,644 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 925 tonne
Cash	1572-5	1580-5		1592-5		
3 months	1557-60	1550-5	1555	1560-5	1557-60	2,107 lots
Zinc ($ per tonne)						Ring turnover 4,825 tonne
Cash	1575-8	1580-5	1595/1590	1590-5		
3 months	1535-8	1540-1	1545/1538	1544-5	1535-8	11,624 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Feb	68.0	70.0		
Apr	90.6	89.9	90.6	90.4
May	106.0	104.8	105.6	105.4

Turnover 40 (96) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Feb	167.00	164.50	165.30	
Apr	170.00	167.50	170.00	168.80
Jun	160.00	159.00		
Aug	155.00	155.00	153.50	

Turnover 41 (45) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Jan	1569	1566	1570	1564
Feb	1600	1593	1604	1598
Apr	1620	1615	1620	1612
Jul	1420	1414	1420	1412
BFI	1523	1523		

Turnover 384 (711)

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Jan	110.65	110.25	110.65	110.56
Mar	114.85	114.10	114.85	114.36
May	118.30	117.60	118.30	117.90
Jun	119.65	119.10	119.65	119.45

Barley	Close	Previous	High/Low	
Jan	107.45	107.40	107.65	107.40
Mar	111.15	110.90	111.15	111.00
May	113.20	113.00	113.20	

Turnover: Wheat 379 (172), Barley 189 (88).
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	417½-418	231¼-232¼
Opening	415¼-415¾	230¼-230¾
Morning fix	415.6	230.122
Afternoon fix	417.25	231.934
Day's high	417¾-418¼	
Day's low	415¼-415¾	

Coins	$ price	£ equivalent
Mapleleaf	429-434	238-241
Britannia	429-434	238-241
US Eagle	429-434	238-241
Angel	426-431	236¾-239½
Krugerrand	417-420	231½-233½
New Sov.	98-99	54¼-55
Old Sov.	98-99	54¼-55
Noble Plat	549.1-559.3	303.3-309.85

Silver fix	p/fine oz	US cts equiv
Spot	338.90	611.00
3 months	348.60	625.05
6 months	360.50	639.40
12 months	381.65	669.25

CRUDE OIL $/barrel

	Close	Previous	High/Low	
Feb	14.89	14.98	15.02	14.90
Mar	14.78	14.76	14.82	14.73
IPE Index	15.02	14.61		

Turnover: 1990 (2942)

GAS OIL $/tonne

	Close	Previous	High/Low	
Jan	149.50	148.75	149.50	148.25
Feb	145.75	145.00	145.50	144.25
Mar	140.50	140.25	140.25	139.50
Apr	134.25	133.75	134.25	133.50
May	130.00	130.00	130.00	129.50
Jun	128.50	127.50	128.50	127.50
Jul	128.50	128.50	128.50	127.50

Turnover 3475 (6420) lots of 100 tonnes

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	418.0	415.3	418.5	416.0
Jan	419.1	416.6	0	0
Feb	421.3	418.8	421.6	419.2
Apr	426.8	424.3	427.0	424.0
Jun	432.3	429.7	432.6	430.0
Aug	437.9	435.3	437.9	436.5
Oct	443.6	440.9	0	0
Dec	449.3	446.5	450.0	447.5
Feb	421.3	418.8	421.6	419.2

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Dec	544.2	542.4	546.0	542.0
Jan	540.7	538.4	544.5	536.5
Apr	538.2	532.4	539.0	533.5
Jul	536.7	529.4	538.0	532.0
Oct	537.7	529.4	536.0	532.0
Jan	539.2	530.9	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	616.0	611.6	615.0	611.5
Jan	616.9	613.1	618.0	612.0
Feb	621.8	618.0	0	0
Mar	626.8	623.0	628.0	623.5
May	637.2	633.4	638.0	634.5
Jul	647.9	644.1	647.0	644.0
Sep	658.5	654.7	659.0	658.0
Dec	673.9	670.1	673.5	672.0
Jan	678.2	674.4	0	0
Mar	689.5	685.7	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	159.40	160.20	160.00	158.10
Jan	150.40	150.60	0	0
Feb	143.10	142.60	0	0
Mar	136.10	135.60	136.80	133.50
May	126.10	126.50	126.40	124.50
Jul	122.20	121.70	122.50	121.40
Sep	119.20	118.90	0	0
Dec	116.20	116.40	117.00	115.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Feb	16.45	16.30	16.45	16.26
Mar	16.01	15.89	16.03	15.85
Apr	15.78	15.62	15.80	15.58
May	15.68	15.50	15.68	15.45
Jun	15.60	15.41	15.60	15.35
Jul	15.60	15.35	15.60	15.25
Sep	15.38	15.28	15.38	15.38

HEATING OIL 42,000 US galls. cents/US galls

	Latest	Previous	High/Low	
Jan	5220	5192	5225	5170
Feb	5100	5069	5110	5050
Mar	4820	4777	4825	4760
Apr	4535	4487	4535	4460
May	4350	4300	4360	4315
Jun	4290	4230	4300	4250
Jul	4255	4205	4255	4245

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1500	1516	1518	1485
May	1489	1497	1502	1480
Jul	1491	1496	1500	1480
Sep	1495	1500	1498	1493
Mar	1500	1521	1512	1512
May	1515	1536	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	149.39	155.94	154.00	149.00
May	147.12	153.50	151.50	146.50
Jul	146.60	152.25	150.50	146.25
Sep	145.83	151.33	149.60	145.33
Dec	144.50	149.50	147.00	143.50
Mar	145.75	148.44	0	0
May	142.58	146.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	7.75	7.88	9.25	9.25
Mar	11.09	11.06	11.28	10.96
May	10.84	10.84	11.05	10.76
Jul	10.56	10.60	10.76	10.54
Oct	10.32	10.36	10.55	10.30
Jan	9.42	9.46	0	0
Mar	10.08	10.17	10.15	10.10
May	9.84	9.93	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	59.28	59.28	59.28	58.82
May	59.35	59.38	59.35	58.88
Jul	59.35	59.30	59.35	58.90
Dec	57.45	57.40	57.59	57.20

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	163.20	162.50	163.50	162.60
Mar	162.95	162.35	163.10	162.50
May	163.50	163.00	163.50	162.50
Jul	163.40	163.35	163.40	162.85
Sep	162.95	162.45	163.00	163.00
Nov	162.00	161.60	162.00	162.00
Jan	160.75	160.75	0	0
Mar	160.75	160.75	0	0
May	160.75	160.75	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	792/2	795/4	798/4	791/4
Mar	806/4	810/0	814/0	806/0
May	818/2	820/4	824/0	817/0
Jul	822/0	822/4	828/0	820/0
Aug	810/0	811/0	814/0	809/0
Sep	763/0	758/6	764/0	758/0
Nov	724/4	717/6	725/0	716/0
Jan	734/0	725/4	735/0	728/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	23.53	23.56	23.77	23.42
Mar	24.08	24.12	24.29	23.93
May	24.61	24.62	24.80	24.45
Jul	25.07	25.05	25.30	24.95
Aug	25.15	25.12	25.15	25.05
Sep	25.15	25.17	25.42	25.05
Oct	25.25	25.25	25.38	25.10
Dec	25.30	25.30	25.40	25.10

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec 21	Dec 20	mnth ago	yr ago
1865.0	1941.4	1542.7	1700.2

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	142.33	142.22	132.04	133.58
Futures	148.32	146.02	136.14	135.60

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	255.1	255.7	257.0	255.0
Mar	256.6	257.2	259.0	256.5
May	255.2	255.2	257.3	255.0
Jul	252.1	251.2	253.5	251.0
Aug	244.5	241.0	246.0	242.5
Sep	231.5	231.5	232.0	228.0
Oct	218.0	218.2	217.0	214.5
Dec	212.7	211.7	214.3	211.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	283/2	284/6	286/4	283/0
May	289/4	289/6	291/4	288/4
Jul	292/2	292/4	294/4	291/4
Sep	278/4	278/0	279/0	276/0
Dec	272/6	271/0	272/6	269/0
Mar	278/2	276/0	278/2	274/4
May	282/0	0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	438/6	438/6	439/4	438/0
May	427/6	429/2	429/6	426/2
Jul	395/0	393/4	395/0	392/0
Sep	398/4	397/4	399/0	397/0
Dec	407/6	408/4	407/6	405/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	73.90	73.80	73.95	73.56
Apr	75.30	75.32	75.32	74.90
Jun	73.72	73.87	73.85	73.55
Aug	71.32	71.35	71.35	71.00
Sep	70.80	70.60	70.80	0
Oct	70.35	70.47	70.50	70.35
Dec	71.35	71.45	71.45	71.12

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	46.57	46.42	46.65	46.12
Apr	45.37	45.20	45.40	44.95
Jun	49.20	49.45	49.42	49.10
Jul	49.47	49.85	49.65	49.15
Aug	49.00	49.02	49.10	48.70
Oct	45.30	45.37	45.40	45.20
Dec	46.35	46.50	46.45	46.35

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	44.07	45.17	44.50	43.50
Mar	44.65	45.75	45.00	44.02
May	46.32	47.32	46.65	45.65
Jul	47.47	48.45	47.95	47.05
Aug	45.40	47.65	47.35	46.27
Feb	59.75	60.92	59.85	59.05
Mar	59.75	60.92	0	59.75

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LONDON STOCK EXCHANGE

Speculative moves enliven equities

THE PRE-CHRISTMAS calm of the London stock market was broken yesterday by a handful of speculative situations, but overall business levels remained low. A slight easing in the sterling exchange rate as the City of London awaited this morning's announcement of the UK trade figures for November had no effect on the blue chip export issues.

The biggest news of the day came after equity trading hours when GEC, the leading UK electronics group, disclosed that it had agreed in principle with Compagnie Generale d'Electricité of France to merge their respective power engineering operations to form the largest such enterprise in the European Community, with potential annual sales of over £4bn. GEC shares closed little changed after an unexciting day's trading ahead of the news, but the share options headed the London Traded Options actives list.

Account Dealing Dates		
*First Dealings:		
Nov 28	Dec 12	Dec 28
Option Declarations:		
Dec 8	Dec 22	Jan 12
Last Dealings:		
Dec 9	Dec 23	Jan 13
Account Day:		
Dec 19	Jan 9	Jan 23

*New time dealings may take place from 8.00 am two business days earlier

Equities remained in a state of suspended animation, *fairly happy with the latest data* on the domestic economy but still far from convinced that the UK's 13 per cent bank base rates can be relaxed in the foreseeable future. Today could provide a significant test for market opinion, since London's Government bond sector will, in theory at least, remain open for business following the trade figures announcement, while the mandatory price quotation period for equities will cease at 1.00 pm.

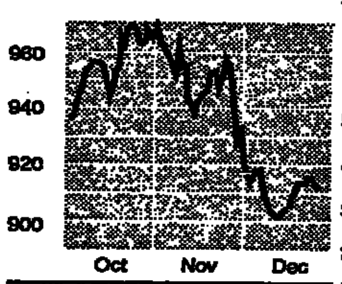
The market opened steadily yesterday despite Wall Street's uninspiring performance overnight but soon slipped easier. With Glaxo almost a lone firm spot among international *stocks, market indices* remained on the downside throughout the session. A lethargic rally ran into the sand when Wall Street made a slow start to the new session.

At the close, the FT-SE Index was 3.9 points lower at 1768.7, which implied little significant trend. Seaq volume churned steadily at 381.2m shares compared with Wednesday's 465m. Both totals take in customer and inter market maker business, and inter dealer trade has been high this week as the big securities houses tidy trading books ahead of the end of the trading year.

Among the *few firm sectors*, store shares again crept higher *in very modest turnover as* some traders turned more optimistic regarding the progress of the Christmas retail season – although some major UK retailers have already resorted to sales promotions, a move traditionally associated with the first month of the New Year.

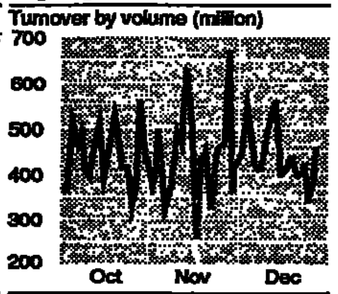
Activity was also reported in the oil sector where speculation resumed that BP might use the profits from its projected deal with RTZ to buy back all or part of the Kuwait Investment Office stake of 22.6 per cent, which has to be cut to below ten per cent within three years.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Among the other issues with Lloyds 2 off at 321p on business of 736,000 and NatWest a similar amount lower at 512p on 1.4m. Midland was a resilient market, holding around an overnight level of 411p.

Royal Bank of Scotland was steady at 347p as it was revealed that the Banco Santander had bought a further 14.77m, or 4.99 per cent, of Royal's shares from the Kuwait Investment Office. In October Royal Bank and the Santander Group announced wide-ranging commercial co-operation. The purchase brings Santander's overall stake up to 9.99 per cent, or 29.54m shares. The shareholding was bought with Royal's knowledge, Santander said.

Hambros, the merchant bank, continued its recent upsurge, *adding a further 11 at* 238p with dealers speculating on possible stake-building by the Italian bank San Paolo which has stated its intention of upping its stake from the previously revealed level of 5 per cent or so.

The Scottish air disaster cast a shadow over the insurance market where several of the composites came under pressure.

Insurance brokers included a firm feature in CE Heath which raced up 5 to 423p owing to a stock shortage.

James Gulliver's Lowndes Queensway, already reeling from a less than complimentary press, took a further knock when Mr Nick Hawkins, analyst at Kleinwort Benson Securities, changed his profits forecast for the 5¼ months to the end of January from a predicted £5m profit to a £3m loss. He has also halved his forecast for the year to January 1990 to a £10m profit.

In explanation Mr Hawkins said: "I think there is no doubt that consumers are reacting to the bludgeoning the Chancellor is dispensing out on interest rates by not spending on durables such as furniture." The KBS analyst firmly believes that January - traditionally a very strong month for furniture sales – will be doubly disappointing as the annual mortgage rate rises come into effect. Lowndes lost nearly 14 per cent of its value as the shares closed 6¼ lower at 40p.

GUS were a good market on the belief that there has been a late surge in Christmas spending and the "A" shares climbed 14 to 959p. W H Smith continued to attract buyers, closing 3 firmer at 222p, while Storehouse shed 2 at 185p before US arbitrageur Mr Asher Edelman *announced that he has* appointed Barclays de Zoete Wedd to advise on his 5.6 per cent stake in the Conran group.

Dealers said virtually all of the activity in the electronics leaders was routine business. GEC touched 189p but later dipped to close a net penny off at 187p after turnover of 3.7m ahead of news of the link-up with French group CGE with regard to power generation equipment.

Sema, the beleaquered software house which earlier in the week announced the resignation of one of its joint managing directors and also issued a warning of sharply lower profits this year, dropped 6 more to 279p.

French buying gave a boost to shares in Eurotunnel. They closed 10 up at 440p. Investors, however were generally wary of the transport sector following the PanAm air disaster in Scotland and British Airways lost 5 to 160p.

There were buyers in the market for NEI following the breaking off of merger talks with Rolls-Royce. NEI put on 2½ to 113½p, after the shares touched an early level of 119p, on a view that the company will now be of interest to continental European heavy engineering businesses wishing to find a way into the British power generation market. Neither is a hostile bid from Rolls, which already holds 4.7 per cent of NEI, ruled out.

Shares in glass-maker Pilkington improved to 200p after comment by County NatWest WoodMac that the company had pulled off a good deal by buying out the minority holding in its German subsidiaries. County calculates that the deal will add at least £10m to Pilkington's pre-tax profits.

A lively Foods sector included Unigate as the speculators' favourite Christmas stock. The shares rose 14½ to 329½p on turnover of over 9m, which one dealer described as "remarkable". The news that the Kuwait Investment Office has bought another ¼m shares in Hillsdown to increase its stake to 7.05 per cent helped the UK group add 5 at 233½p.

United Newspapers fell 16 to 363p as a sustained bout of selling accompanied a further analysts' downgrading. Fears about the company's exposure to high interest rates and worries about its US and UK advertising revenues have led to a string of downgradings this week. Chase Manhattan lowered its forecast on Wednesday, while James Capel followed suit yesterday.

Dealings in the FT-SE 100 index ran back to the top of the field in traded options, though GEC stole the show in spite of the announcement about the link with CGE coming after the close of the market. Overall options turnover was no more than 21,185 contracts, composed of 11,387 calls and 9,798 puts.

Turnover in the index lay mainly on the put side, on which there were 4,430 contracts traded, against 1,116 on the call side, the major part consisting in an increase in open interest in the puts of 1,776 contracts to 44,635 on the earlycount. The most substantial part of the business was at strike prices below the closing market level for the index itself of 1,768.7.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 21

Dealers whose minds were not too stretched by normal trading yesterday did manage to find the time to compete in the 1988 All-comers trivial pursuit quiz organised by County NatWest. Between the sociable hours of 10.30am and 4pm a series of increasingly obscure and difficult questions aroused as much shouting and trading of answers as any shares.

Shearson shot into an early lead, but after the compulsory lunch break found the pace too hard to handle, leaving Kleinwort Benson battling it out against the well-known niche scholars at Nivison Cantrade. At the close Kleinwort pipped their smaller rivals by a single point - a victory for massed ranks over tenacious guerillas. Salomon Brothers came a respectable third. There was speculation that several much-respected names failed to register a score because they were too busy changing their dealing sizes. AF

Publisher contest quickens

Pre-Christmas spirits in the publishing sector were revived by the announcement from William Collins that it is having talks with a third party which may lead to a counterbid to Mr Rupert Murdoch's *hostile offer*. The news sent both classes of Collins shares racing higher, and at the close the Ordinary shares were 88 better at 861p while the A shares had risen 83 to 671p. Combined turnover was 123,000 shares, but dealers said most of this occurred before the *announcement*.

Mr Murdoch's News International responded by stating that it has no intention of selling its 41.7 per cent stake to any rival bidder, but analysts described this as entirely predictable: "If there is another bid, it is likely to be substantially higher than News International's level. We could be talking about £10 per share for the Ordinary and 850p for the A shares," said one.

French publishers Hachette and Presses de la Cité, as well as the acquisitive Reed International, emerged as the London market's tips as the most likely white knight, and there was renewed speculation that Mr Murdoch might do a deal whereby he would buy Collins's US Harper & Row subsidiary in exchange for his stake. Reed shares eased a penny to 359p.

Iceland breaker

Just when it looked as if the Iceland Frozen Foods offer for Bejam would expire quietly, talk that a white knight was about to step into the fray revived interest in the previously waning bid battle. The combination of Iceland's decision to extend the deadline on its 182p-a-share partial cash offer to lunchtime today – in the hope that it can add to its existing 42.6 per cent stake – and speculation that Bejam had found an unexpected ally sent Bejam 8 higher to 165p in busy trading.

"It looks as if someone is building a spoiling stake of 4 or 5 per cent – and the weakness in its share price suggests it might be Budgens – with the intention of wrecking Iceland's chances," said one marketmaker. Budgens, which was mentioned as a possible white knight earlier in the week, was unavailable for comment and closed a penny easier at 111p. Iceland ended steady at 310p.

Predator returns

The pre-Christmas slowdown was blamed for the somewhat muted response to the disclosure of a predatory shareholder in Tootal, the UK textile concern. Tootal surged ahead before coming away from the highest to end 7¼ up at 121¼p, but marketmakers said overall *interest was disappointing*.

Tootal claimed it had been monitoring the recent sharp rise in the shares which had appeared to reflect stakebuilding speculation. The board was informed yesterday of the arrival of a new substantial shareholder in Mr Abraham Goldberg of Australia who, with his family, has bought 9.22 of the equity of the Lancashire textile group. Mr Goldberg was head of Entrad when the Australian group bid unsuccessfully for Tootal four years ago, and was once a Tootal director.

Analysts took Mr Goldberg's intentions seriously but some questioned his ability to finance a full takeover. However, the news encouraged some other textile issues regarded as possible takeover targets.

International stocks were mixed. Glaxo moved sharply better, rising 16 to 1054p on the back of a steady dollar and a shortage of stock in the market, with dealers saying the technical position was dictating trading. Turnover was a mere 690,000 shares.

Fisons was the day's other feature. The shares fell 4⅛ to 232p in heavy turnover of 4.4m as a large number of Japanese investors looked to take a turn on their portion of the stock issued to accompany Fisons's Tokyo listing. Dealers moved quickly to lower their prices below the 238.64p paid by Tokyo investors, but could not entirely stem a flow of sellers.

The oil and gas sector failed to attract any major activity as a modest decline in crude oil prices – down some 10 cents at $14.90 a barrel towards the close - and general lack of interest saw share prices drift easier. "There is little doing; all the action is generally speculation-driven stuff," said one *trader in the sector*.

BP "old" shares dipped 3 to 251p and the "new" 1½ to 149p on turnovers of 2m and 2.2m respectively. The market is stillwaiting for news of the price BP will receive for its minerals division if the current talks with RTZ are successful. Yesterday BP revealed it had sold part of North Sea Block 16/7b to the Marathon-operated Brae Group for an undisclosed sum.

Business in Enterprise and Lasmo, which have provided most of the action in the sector this week, tailed off with Enterprise 3 cheaper at 468p and Lasmo slightly easier at 479p.

Calor suffered from profit-taking and settled 5 lower at 398p. Premier edged up to 63p as the market continued to reflect growing satisfaction over the recent oil discovery in Thailand, and also over Premier's participation in the extension to the Wytch farm oil discovery, details of which are expected in two or three weekstime.

Optimism over the group's European exploration programme boosted demand for Triton which advanced 6 to 140p. Dealers reported only modest profit-taking in Ultramar, recently boosted by talk of an imminent break-up move, which slipped 2 to 284p.

The clearing banks tended to slip back with Barclays particularly under pressure and finally 6 lower at 410p with some 2.8m shares moving through the system.

Turnover was more subdued

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (22).
CANADIANS (2) Hudson's Bay, Trans. Can. Pipe. BANKS (3) C'hgn. Hbk., Anglo Leasing, CLF 6¼pc Cv. Pf., BREWERS (1) Highland Dists., FOODS (1) BSN, INDUSTRIALS (4) Alfa-Laval 'B', ISA Int'l., Radiant Metal, Sothebys Hldgs. 'A', INSURANCE (1) Allianz, NEWSPAPERS (3) Collins William, Do. 'A', Haynes Pub., SHIPPING (2) Bergesen d-y AS 'A', Lon. O'Seas. Frtrs. 'B' Pfd., TRUSTS (2) Bertrams Inv. Tst., City of Oxford, OILS (2) Arabex Pet., Norsk Hydro, THIRD MARKET (1) Kromagraphic.
NEW LOWS (34).
CANADIANS (1) Sonora Gold, CHEMICALS (1) Croda Int'l., STORES (1) Lowndes Q'way., ELECTRICALS (2) Humberside Elec., UCL Grp., FOODS (4) Acatos & Hutcheson, Budgens, Hazlewood, Tavener Rut., INDUSTRIALS (6) Gt. Southern, Kitty Little, Security Archives, Titon, Widney, Williams Hldgs. 5⅝pc Cv. Pf., INSURANCE (2) Sun Life, Windsor, NEWSPAPERS (3) Johnston Press, Quarto Grp., Utd. Newspapers, PAPERS (2) Moss Tst., Pathfinders Grp., PROPERTY (3) Ewart, Moorfield Ests., Speyhawk, TRUSTS (4) Scot. Cities 'A', Amalgamated F. Invs., Brit & Comm., Biotechnology Invs., OILS (1) Southwest Res., MINES (4) Bulfels, St. Helena, BHP Goldmines, Julia Mines.

FINANCIAL TIMES STOCK INDICES

	Dec. 22	Dec. 21	Dec. 20	Dec. 19	Dec. 16	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	87.36	87.28	87.28	87.01	86.85	88.46	91.43 (18/4)	86.18 (14/12)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.75	96.10	96.15	96.06	96.15	94.67	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1432.4	1435.0	1438.3	1434.6	1438.0	1432.3	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	164.1	164.7	162.9	163.0	163.1	303.7	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)

	Dec. 22	Dec. 21	Dec. 20	Dec. 19	Dec. 16	Year Ago
Ord. Dl. Yield	5.12	5.12	5.11	5.12	5.12	4.34
Earning Yld %(full)	12.94	12.94	12.91	12.95	12.93	10.87
P/E Ratio(Net)(☆)	9.32	9.32	9.35	9.31	9.33	11.27
SEAQ Bargains(5pm)	18,577	18,582	19,237	18,604	19,057	8,251
Equity Turnover(£m)†	-	917.78	893.76	831.53	893.13	892.00
Equity Bargains†	-	20,212	19,284	18,749	19,289	13,394
Shares Traded (ml)†	-	463.9	379.2	333.4	410.4	327.4

Ordinary Share Index, Hourly changes

● Opening	● 10 a.m.	● 11 a.m.	● 12 p.m.	● 1 p.m.	● 2 p.m.	● 3 p.m.	● 4 p.m.
1435.0	1436.7	1436.0	1434.2	1433.8	1433.9	1435.0	1433.9

DAY'S HIGH DAY'S LOW

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35. Gold Mines 12/9/55, SE Activity 1974, ☆Nil 9.28 †Excluding intra-market busi n

● S.E. ACTIVITY

Indices	Dec 21	Dec. 20
Gilt Edged Bargains	88.7	98.1
Equity Bargains	131.0	126.0
Equity Value	1855.1	1806.5
5—Day average		
Gilt Edged Bargains	101.7	103.4
Equity Bargains	124.3	123.0
Equity Value	1787.9	1779.9

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,100	129	-1	Commercial Union	248	331		Ladbroke	952	427		Rothmans	41	416	
[illegible]															

APPOINTMENTS

British Gas forms new division

■ Mr Cedric H. Brown, at present regional chairman, West Midlands, has been appointed director of the new exploration and production division. He has also been appointed a member of the executive of British Gas from January 1. Dr H.W.D. Hughes, currently managing British Gas exploration companies based in the UK; and Mr J.L. Gregory, formerly vice president of Tenneco's international division and now vice president and general manager of British Gas Services (US) Inc., based in Houston, Texas, both join the new division.

Mr Chris Brierley, managing director, resources and new business, at BRITISH GAS, has assumed responsibility for the implementation of changes to gas supply business policies arising from the recent MMC Report on gas prices to large customers.

■ BARCLAYS INSURANCE BROKERS INTERNATIONAL, the Lloyd's broking subsidiary of Barclays Bank, is making a number of appointments on January 2. Mr Nigel Craddock has been appointed managing director. He was previously joint managing director alongside Mr John Horne who retires on January 2. Mr Kenneth Hornett has been made a director. He was previously assistant director. Mr Graham Penman has been appointed senior manager.

■ CITICORP has appointed Mr Hans Eric Jansen as managing director of European mergers and acquisitions from January 11. Mr Jansen, who will based in London, will resign from the managing board of Pakhoed at the end of the year. He succeeds Mr John B. Fraser who is returning to his former duties in the US managing cross-border mergers and acquisitions.

■ Mr Frank J. Galea has been appointed managing director of GUNNEBO PROTECTION, new UK subsidiary of Gunnebo Protection AB Sweden.

■ Mr Alan Ravenscroft has been appointed to the board of the PORT OF LONDON AUTHORITY for three years from January 1. He will also join the Tilbury committee, responsible for the Port of Tilbury. Mr Ravenscroft is director of group control and financial services of the British Petroleum Company. Sir Brian Kellett has been re-appointed PLA chairman, and Captain P.M. Edge, Mr A.J. Macintosh, and Sir Brian Shaw have been re-appointed board members for three years from January 1.

BLUEBIRD TOYS has appointed Mr Roger B. Matthews as managing director of Merit Toys. He was UK managing director of Superjouet.

■ Mr Alan Robbins has been appointed director of finance, European operations at SEAGATE European headquarters, Marlow, Bucks.

■ Mr Louis D. de Bièvre has been appointed chairman of EURO-LATINAMERICAN BANK, and Dr Juan Candela Gómez de la Torre becomes vice chairman. Mr de Bièvre is a member of the managing board of Algemene Bank Nederland and Dr Candela Gómez de la Torre is chairman of Banco de la Nación.

■ Lord Armstrong and Mr Desmond O'Connell have been appointed non-executive directors of LUCAS INDUSTRIES. Lord Armstrong was secretary of the Cabinet, and Mr O'Connell is group managing director of The BOC Group. Mr Michael A. Stacey has been appointed managing director of Lucas Aerospace UK. He was managing director - engine management systems at Lucas Automotive.

■ Mr Stephen C. Butt, Mr Miguel J. Caparros, Mr Amir Eilon, Mr Mario I. Francescotti, Mr David P. Smith, Mr David C. Summers, andMr John J. Studzinski have been promoted to managing directors from January 1 in the London office of MORGAN STANLEY & CO INC., a subsidiary of Morgan Stanley Group Inc., New York.

■ LEWIS'S RETAIL has made the following board appointments: Ms Amanda Spedding, head of finance and company secretary; Mr Norman Smith, retail director; Mr Jonathan Parker, buying director; Mr David Ward, human resources director; Mr John Smart, property director; Mr Gerald Pollard, distribution director.

■ HILTON INTERNATIONAL has appointed Mr Peter Riddoch as vice president of property management. He was development director of Sun International, based in South Africa.

■ Mr M.C. Emerson has been appointed managing director of HEATH NORTH AMERICAN REINSURANCE BROKING from January 1.

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AUTHORISED UNIT TRUSTS

CROSSWORD

No.6,819 Set by HIGHLANDER

ACROSS

1 Boycott leads support for player (8)
5 On land there's timber and a mineral source (6)
10 Allow to enter to make confession (5)
11 Plan of action for putting on weight (9)
12 Those in favour, one bears, parade in military order (4,5)
13 First of the vessels goes off (5)
14 Coded signals involving Old Blue (6)
15 English shell reportedly taking on military formation (7)
18 Vessel used for cooking (7)
20 Deprived by football official – caught in gamble (6)
22 Assemble for a service (5)
24 Courier in confused state: green perhaps (9)
25 Regard as belonging to property (9)
26 Cook meat for king in front of drying kiln (5)
27 Slip up and reveal mission (6)
28 How to reorganise yard? Shut for part of week (8)

DOWN

1 Transport network with unbeatable services for supporters (6)
2 Person more insensitive on top? That's me! (6,3)
3 Not working because of fee (3,2,10)
4 Take for granted new spouse goes about quietly (7)
6 Litter more exposed, it's said, by wartime medical assistant (9,6)
7 Edible sea-slug is more unusually found on river (5)
8 Service flat lay underneath (8)
9 Group that's making attack (6)
16 Swimming supervisor – a form of assurance and protection (9)
17 Get free advertisement included as a prank (8)
19 Strange cat (no tail) making disturbance (6)
20 Ask for note on cheese varieties (7)
21 Snoop about eastern race, attractive (6)
23 Bill Hill, the performer (5)

Solution to Puzzle No.6,818

A	G	A	T	H	A		C	H	R	I	S	T	I	E
P		N		A				E		N		O		L
P	L	I	A	N	T		A	R	E	T	H	U	S	A
R		S		D		S		M		E		G		T
O	V	E	R	L	O	O	K		C	R	E	A	T	E
A		T		E		L		S		E		N		D
C	U	T	E		C	O	N	T	E	S	T			
H		E		C		M		R		T		T		C
			B	L	O	O	M	E	R		C	H	A	R
T		F		A		N		T		M		R		I
A	L	L	U	R	E		A	C	C	I	D	E	N	T
R		E		I		L		H		R		A		E
G	R	E	E	N	L	E	T		C	R	A	T	E	R
E		C		E		A				O		E		I
T	R	E	A	T	I	N	G		U	R	A	N	I	A

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ✝ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ● - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes contained in last column of the FT Unit Trust information pages.

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TSB Unit Trusts (y) (1000)F
Charlton Pl, Andover, Hants. SP10 1RE 0264 63434

	Init. Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	95.59	96.34	102.49	+0.15	2.06
Do Accum	6	102.54	103.41	110.01	+0.16	2.06
TSB Brit Growth	6	52.65	52.65	55.99	-0.01	3.42
Do Accum	6	55.07	55.07	58.59	-0.01	3.42
TSB European	6	52.24	52.24	55.57	-0.07	1.04
Do Accum	6	53.46	53.66	57.09	-0.06	1.06
TSB Extra Income	6	141.73	145.41	154.69	-0.40	6.25
Do Accum	6	182.94	187.69	199.67	-0.52	6.23
TSB Smaller Cos	6	48.66	50.91	54.16	-0.02	1.73
Do Accum	6	49.71	51.82	55.13	-0.02	1.73
TSB General	6	172.33	172.33	183.33	-0.43	3.67
Do Accum	6	298.30	298.30	317.34	-0.73	3.67
TSB Premier Income	5	47.38	47.65	49.64	+0.19	9.25
Do Accum	5	72.42	73.16	76.21	+0.29	9.25
TSB Income	6	254.64	254.64	270.89	-0.14	5.38
Do Accum	6	453.16	453.16	480.81	-0.57	5.38
TSB Pacific	6	213.57	213.49	227.12	+0.97	0.21
Do Accum	6	218.72	222.97	236.14	+1.02	0.21
TSB International	6	321.76	321.76	342.30	+0.98	0.96
Do Accum	6	406.58	406.58	432.53	+1.26	0.96
TSB Nat Resources	6	58.78	59.65	63.46	+0.30	1.69
Do Accum	6	61.77	63.23	67.27	+0.30	1.69
TSB Skted Opps	6	74.78	74.78	79.56	-1.14	2.96
Do Accum	6	85.38	85.38	90.83	-1.31	2.96

Target Trust Mngrs Ltd (2600)F
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 01-379 0860

	Init. Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	61.35	61.35xd	65.55	+0.18	0.18
Australia	5	6.963	6.963	7.448	+0.12	0.36
Commodity	5	71.09	71.09xd	76.56	+0.86	0.65
Convertible	5	134.6	134.6xd	144.7	+0.20	5.29
Equity	5	143.7	143.7xd	155.5	—	3.36
Exec Spec Sits	5	82.64	82.64	88.05	+0.52	1.53
Financial	5	29.17	29.17	31.37	-0.03	2.17
Global Opps Inc	5	53.93	53.93	58.08	+0.34	0.64
Global Opps Acc	5	54.34	54.94	58.52	+0.35	0.64
Gold Income	5	43.82	43.82	47.20	+0.52	0.60
Gold Acc	5	80.89	80.89	86.93	+0.96	0.00
Income	5	98.57	98.57xd	105.8	-0.3	4.80
Japan	5	127.4	127.4	137.2	+1.0	0.00
Pacific Inc	5	114.2	114.2	123.2	+0.6	0.06
Pacific Acc	5	141.7	141.7	152.9	+0.8	0.06
Preference Shares	5	24.22	24.38	25.34	+0.06	7.65
Special Sits	5	85.07	85.07	91.67	-0.08	1.70
UK Capital	5	83.38	83.38	89.73	+0.08	1.74
World Income	5	50.77	50.77	54.54	+0.29	3.03
Worldwide Capital	5	147.5	147.5	159.1	+0.5	1.96
Equity Exempt	5	111.7	111.7xd	120.1	—	2.31
Equity Exempt Acc	5	212.6	212.6	228.9	—	2.31

Templeton Unit Trust Managers Ltd (1200)F

[illegible]

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Expt Dec 21	37.5	39.0	—	2.44
Euro Expt Dec 22	41.9	43.9	—	2.26
Fixed Int Ex Dec 22	48.0	50.2	—	10.2
Japan Expt Dec 21	55.9	58.2	—	0.4
Managed Ex Dec 22	37.6	39.1	—	4.98
SE Asia Expt Dec 21	35.3	37.0	—	2.30
Sm Cos Expt Dec 21	40.0	42.0	—	2.94
UK Eqty Ex Dec 22	33.6	35.2	—	5.74

New Court Property Fund Managers

	Bid Price	Offer Price	+ or -	Yield Gross
NC Property	191.5	209.3	—	-

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
PDFM Small Co's Nov 6	774.0	820.0	—	4.20
Do Accum	799.0	846.0	—	4.20
PDFM Int Expt Dec 22	120.8	125.9	+2.1	2.70

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt	96.10	97.33	—	2.49

INSURANCES

AA Friendly Society
Investment Mngt: M & G Inv Mngt Ltd
AA Friendly Sy Dec 9 — 139.4 — -

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	261.6	275.4	—	-
Equity Ser. 1	109.1	114.9	—	-
Prop. Acc. Ser 2	390.7	411.3	—	-
Equity Ser 2	123.8	130.4	—	-
Selective Acc	291.9	307.3	+0.3	-
Prop. Ser. 4	313.5	329.8	—	-
Equity Ser. 4	129.2	136.5	—	-
Fixed Int. Ser. 4	216.9	228.4	+1.3	-
Indexed Inv. Ser. 4	129.2	136.1	+0.5	-
American Ser. 4	252.3	265.6	—	-
High Inc. Ser. 4	375.2	395.0	-0.6	-
Japan Ser 4	283.1	298.0	+0.9	-
Man. Ser. 4	375.1	394.9	+0.6	-
Money Ser. 4	222.2	233.9	—	-
European Ser 4	96.3	101.4	+0.4	-
Pension Funds				
Property	542.5	571.1	—	-
Equity	905.9	953.4	+0.5	-
Selective	310.8	327.2	+0.3	-

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Continued on next page

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National Mutual Life

The Priory, Priory Pk, Hitchin SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or	Yield Gross
Managed Fund	195 0	205 3	.	-
Managed Protect Fund	158 9	167 3	..	-
UK Equity Fd	234 0	246 4	.....	-
Fixed Interest	159 6	168 0	....	-
Pacific	223 7	235.5	....	-
North American	103 8	109 3	.....	-
Pens Managed	219 8	231 4	.....	-
Pens UK Equity	249 5	262 7	.....	-
Pens Overseas Equity	282 6	297 5	.....	-
Pens Property	172 9	182.0	.....	-
Pens Fixed Interest	173 4	182.6	.....	-
Pens Index Linked	130 2	137 1	.....	-
Pens Deposit	164 0	172 7	.....	-
P R P UK Equity	108 5	114 3	.....	-
P R P Overseas Equity	100 7	106 0	.....	-
P R P Fixed Interest	117 9	124 2	.....	-
P R P Property	143 1	150 7	.....	-
P R P Index Linked	117 7	123 9	.....	-
P R P Deposit	113 3	119 3	.....	-
P R P Managed	110 2	116 1	.....	-
P R P With Profits	118.4	124.7	.....	-

National Provident Institution

48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	+ or	Yield Gross
Managed	289 6	304 9	+0.5	-
UK Equity	355 5	374.3	-0.2	-
Overseas Eq	268 2	282.4	+1.2	-
American	203 0	213 7	+0.1	-
Far East	334 5	352.2	+0.7	-
Property	192.6	202.8	-0.1	-
Fixed Int	218.3	229.8	+1.1	-
Indexed Gilt	127.5	134.3	+0.6	-
Deposit	144 7	152.4	-	-
Pension Fund (Accum Units)				
Managed	374.2	393.9	+0.5	-
UK Equity	414.6	436.5	-0.5	-
Overseas Eq	423 9	446 3	+1.5	-
American	271 2	285.5	+0.4	-
Far East	563 2	592.9	+2.2	-
Property	228.1	240.2	-0.4	-
Fixed Int	251.4	264 7	+1.2	-
Indexed Gilt	138 0	145.3	+0 6	-
Deposit	184 0	193.7	-	-

Providence Capital Life Assc. Co Ltd

30 Uxbridge Rd, London W12 8PG 01-749 9111

	Bid Price	Offer Price	+ or	Yield Gross
UK Equity Acc	179 5	189 4	....	-
UK Fixed Int Acc	142 5	150 4	+0 7	-
Intl Equities Acc	130 6	137 8	-0 9	-
UK Managed Acc	142 0	149 7	-0 9	-
Property Acc	220.4	232.5	-0 5	-
Money Acc	103 0	108 7	....	-
Special Market Acc	100 8	106 4	-1.7	-
Japan Equity Acc	138 5	146 1	-0 2	-
North American Acc	87 2	92 0	-2 0	-
Pacific Acc	73 2	77.3	-0 4	-
Technology Acc	108.2	114 2	-0 7	-
Nat Resources Acc	58 2	61.4	-0.3	-
European Acc	80 2	84 6	-0 2	-
Residential Prop Acc	115 7	122.1	+0 3	-
Swiss Equities Acc	30.2	31 9	-0.6	-
Hong Kong Acc	44 0	46.5	.	-
UK High Inc Eq Acc	58.6	61.9	-0 2	-
Int Fixed Interest Acc	49 7	52.5	+0.1	-
Int Managed Acc	46.8	49 3	+0.1	-
HIP Managed Acc	101.0	103.5	-0.1	-
Total Investment Bond				
UK Equity Initial		128.2	....	-
UK Fixed Int Initial		99.7	+0.5	-
Intl Equities Initial		90 6	+0 6	-
UK Managed Initial		99.3	+0 6	-
Property Initial		155.2	-0.3	-
Money Initial		72.4	....	-
Special Market Initial		80.4	-1.3	-
Japan Equity Initial		110 4	-0 1	-
North American Initial		69.5	+1.5	-
Pacific Initial		58.3	-0 4	-
Technology Initial		86.2	-0 6	-
Nat Resources Initial		46.3	+0 2	-
European Initial		73.8	-0 2	-
Residential Prop Init		113.5	+0.3	-
Swiss Equities Initial		29.6	-0.6	-
Hong Kong Initial		43 2	-0 1	-
UK High Inc Eq Init		57.5	-0.2	-
Int Fixed Interest Init		49 4	+0.1	-
Int Managed Init		46.7	+0.2	-
HIP Managed Init		100.7	-0.1	-
Broker Fund				
Towerhill Mngd Fd Acc	41.8	44.0	-0.3	-

OFFSHORE AND OVERSEAS

UK LISTED

MANAGEMENT SERVICES

IoM AUTHORISED

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

1988 High	1988 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
102	99	Treas 11½pc 1989	99	.....	11.54	12.64
101	98	Treas 9½pc Cnv 1989	99	.....	9.60	12.60
97	95	Treas 3pc 1989	97	+	3.08	10.13
102	98	Treas 10½pc 1989	99	.....	10.59	12.13
102	98	Exch 10pc 1989	98	−	10.12	12.08
103	98	Exch 11pc 1989	99	.....	11.07	11.86
97	94	Treas 5pc 1986-89	96	+	5.21	10.26
104	98	Exch 10¼pcCv '89	99	−	10.34	11.27
107	101	Treas 13pc 1990‡‡	101	−	12.77	11.21
104	99	Exch 11pc 1990‡‡	99	−	11.03	11.10
107	100	Exch. 12½pc 1990	101	.....	12.32	11.21
93	90	Treas. 3pc 1990	91	.....	3.28	9.85
99	95	Treas 8¼pc 1987-90‡‡	96	.....	8.56	10.92
102	95	Treas. 8pc Cv 1990 ‡‡	97	+	8.25	10.17
103	97	Treas. 10pcCv 1990	98	+	10.16	11.10
91	87	Exch 2½pc 1990	88	+	2.84	9.46
107	100	Treas 11¾pc 1991	101	+	11.62	11.15
95	89	Funding 5¾pc '87-91‡‡	90	−	6.37	10.67
90	86	Treas. 3pc 1991	86	+	3.47	9.45
105	97	Treas 10pc Cv '91 ‡‡	99	+	10.10	10.47
107	98	Exch. 11pc 1991	100	.....	10.98	10.92
98	91	Treas. 8pc 1991	93	+	8.59	10.78
113	103	Treas 12¾pc 1992‡‡	105	+	12.09	10.65
104	96	Treas 10pc 1992	98	+	10.19	10.68
98	91	Treas. 8pc 1992 ‡‡	92	−	8.62	10.61
106	98	Treas 10½pc Cv 1992‡‡	99	+	10.54	10.62
86	81	Treas. 3pc 1992	82	+	3.66	9.15
112	102	Exch. 12¼pc '92	104	+	11.72	10.69
117	106	Exch 13½pc 1992	108	+	12.43	10.64
97	91	Treas 8¼pc 1993	92	+	8.91	10.46
105	96	Treas 10pc 1993‡‡	98	+	10.13	10.37
115	105	Treas 12½pc 1993‡‡	106	+	11.69	10.56
93	85	Funding 6pc 1993‡‡	86	.....	6.98	9.75
121	110	Treas 13¾pc 1993‡‡	111	+	12.29	10.58

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

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COMMONWEALTH & AFRICAN LOANS

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Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

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Money Market Bank Accounts

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AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

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Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

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ENGINEERING

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HOTELS AND CATERERS

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[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

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LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

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Finance, Land, etc

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OIL AND GAS—Contd

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Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

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Miscellaneous

THIRD MARKET

NOTES

... to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	67	......
Craig & Rose £1.. y	718	......
Finlay Pkg. 5p.... y	86	......
Holt (Jos) 25p.... y	£11½	......
Arnotts..........	385	......
Carrol (P.J.)...... y	145	+2
Grafton Grp....... y	143	......
Hall (R. & H.)......	153	......
Heiton Hldgs....... y	63	......
Irish Ropes.........	170	+5

IRISH

Cap. 8½% Ln. 1991..	£99⅝	......
9pc Cap Ln. 1996..	£103⅛	......
Fin. 13% 97/02...	£124⅛	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

Ladbroke........	38
Legal & Gen.......	26
Lex Service.......	34
Lloyds Bank.......	29
Lucas Inds.......	48
Marks & Spencer.....	15
Midland Bk........	35
Morgan Grenfell.....	28

NEI..........	12
Shell..........	85
Ultramar.......	21

Mines

Cons Gold.......	188
Lonrho.........	38
RTZ...........	49

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar slightly firmer

CURRENCY TRADING ran down to a very low level, ahead of the Christmas holiday and the end of the year. However, there was still a limited amount of commercial business, as traders squared their books, and this gave the dollar an underlying firm tone.

In New York it was suggested that only a couple of banks were still engaged in interbank trading, and that brokers were seeing only a scattered order flow.

In limited speculative trading there was some setting up of short D-Mark positions against the Japanese yen, but these were soon unwound.

At the Frankfurt fixing the West German Bundesbank sold DM27.4m, when the dollar was fixed at DM1.7742, compared with DM1.7732 on Wednesday. This was near the top of the dollar's trading range during the morning.

It was the first time the Bundesbank had intervened at a fixing since December 20, when the central bank sold $6.4m.

However there was very little reaction in the market.

A higher than expected figure on November US durable goods orders also had virtually no impact.

Small commercial orders to buy the dollar provided support for the US currency, but these had an exaggerated effect on the market, because of the lack of volume. Most multinational companies are believed to have completed there dollar purchases for the year, and there are signs that speculative traders are no longer interested in running positions.

The main area of speculative trading is now confined to the futures market in Chicago, where traders are thought to be still carrying long dollar positions against the D-Mark and the Swiss franc. This may continue to underpin the US currency through until the end of the year.

The other factor providing the dollar with lingering support is speculation that the rise in the Federal funds rate in New York will be followed by an increase in the Federal Reserve's discount rate within the next few weeks.

At the London close the dollar had risen to DM1.7735 from DM1.7695; to Y124.70 from Y124.35; to SFr1.4970 from SFr1.4940; and to FFr6.0550 from FFr6.0450.

According to the Bank of England, the dollar's exchange rate index was unchanged at 94.2.

There was also very little volume in sterling, but the pound weakened in nervous trading, ahead of today's publication of the UK trade figures for November.

The market expects an improvement on the October current account deficit of £2.4bn, but forecasts have tended to become more pessimistic of late.

Sterling fell to $1.7990 from $1.8075; to DM3.1900 from DM3.1975; to Y224.25 from Y224.75; to SFr2.6925 from SFr2.7000; and to FFr10.8925 from FF10.9275.

On Bank of England figures, the pound's index fell to 77.3 from 77.5.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Dec.22	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5484	+2.57	+0.82	±1.5344
Danish Krone	7.85212	8.03078	+2.28	+0.53	±1.5404
German D-Mark	2.05853	2.07769	+0.93	-0.82	±1.0981
French Franc	6.90403	7.09415	+2.75	+1.00	±1.3674
Dutch Guilder	2.31943	2.34574	+1.13	-0.62	±1.5012
Irish Punt	0.768411	0.777232	+1.15	-0.60	±1.6684
Italian Lira	1483.58	1530.30	+3.15	+2.12	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Dec.22	Latest	Previous Close
£ Spot	1.8040-1.8045	1.8063-1.8073
1 month	0.46-0.45pm	0.47-0.45pm
3 months	1.43-1.41pm	1.49-1.46pm
12 months	4.68-4.58pm	4.90-4.80pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Dec.22	Previous
8.30	am	77.5	77.6
9.00	am	77.5	77.7
10.00	am	77.5	77.6
11.00	am	77.5	77.5
Noon		77.4	77.6
1.00	pm	77.5	77.6
2.00	pm	77.3	77.6
3.00	pm	77.3	77.6
4.00	pm	77.3	77.5

CURRENCY RATES

Dec.22	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.746328	0.649762
U S Dollar	6.50	1.34660	1.17152
Canadian $	8.75	1.61619	1.40360
Austrian Sch.	4	16.8029	14.6112
Belgian Franc	7.75	50.0733	43.5484
Danish Krone	7½	9.24306	8.03078
Deutsche Mark	3½	2.28779	2.07769
Neth Guilder	4.5	2.69657	2.34574
French Franc	9½	8.15972	7.09415
Italian Lira	12½	1759.30	1530.30
Japanese Yen	2½	167.517	146.030
Norway Krone	8	8.84716	7.68811
Spanish Peseta	-	154.187	133.905
Swedish Krona	8½	8.26341	7.18318
Swiss Franc	3.5	2.01519	1.75260
Greek Drach.	20½	198.691	172.823
Irish Punt	-	0.892734	0.777232

*All SDR rates are for Dec.21

CURRENCY MOVEMENTS

Dec.22	Bank of England Index	Morgan** Guaranty Changes %
Sterling	77.3	-14.8
U.S Dollar	94.2	-13.3
Canadian Dollar	84.5	-2.2
Austrian Schilling	135.3	+9.9
Belgian Franc	98.5	-5.8
Danish Krone	89.1	-0.4
Deutsche Mark	145.2	+21.3
Swiss Franc	167.0	+19.6
Guilder	133.5	+13.6
French Franc	68.9	-15.4
Lira	45.8	-19.9
Yen	250.7	+86.2

Morgan Guaranty changes average 1980-1982=100. Bank of England Index (Base Average 1975=100)**Rates are for Dec 21.

OTHER CURRENCIES

Dec.22	£	$
Argentina	28.1565-28.3165	15.6600-15.7400
Australia	2.1065-2.1115	1.1715-1.1735
Brazil	1260.00-1267.05	700.80-704.30
Finland	7.4820-7.5065	4.1690-4.1710
Greece	263.65-268.15	146.15-148.80
Hong Kong	14.0370-14.0540	7.8060-7.8080
Iran	123.70*	68.00*
Korea(Sth)	1231.95-1241.85	681.70-687.30
Kuwait	0.50540-0.50670	0.28145-0.28155
Luxembourg	66.80-66.90	37.10-37.20
Malaysia	4.8566-4.8695	2.7020-2.7050
Mexico	4099.45-4119.15	2280.00-2290.00
N Zealand	2.8155-2.8255	1.5660-1.5710
Saudi Ar.	6.7360-6.7485	3.7500-3.7510
Singapore	3.4935-3.5020	1.9420-1.9450
S Af (Cm)	4.2565-4.2695	2.3680-2.3695
S Af (Fn)	6.9175-7.0535	3.8460-3.9215
Taiwan	50.75-50.05	28.15-28.25
U.A.E.	6.5950-6.6000	3.6725-3.6735

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Dec.22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7950-1.8065	1.7985-1.7995	0.52-0.50cpm	3.40	1.52-1.49pm	3.35
Canada	2.1500-2.1640	2.1505-2.1515	0.50-0.42cpm	2.57	1.09-0.96pm	1.91
Netherlands	3.59¾-3.61¼	3.59¾-3.60¾	2¼-2⅛cpm	7.29	6⅛-6cpm	6.73
Belgium	66.65-67.15	66.80-66.90	32-29cpm	5.47	91-83pm	5.21
Denmark	12.32-12.34¼	12.33¾-12.34¾	5¾-4¾orepm	5.11	15-13¾pm	4.66
Ireland	1.1915-1.2000	1.1945-1.1955	0.50-0.45ppm	4.77	1.37-1.27pm	4.42
W. Germany	3.18-3.20	3.18¾-3.19¾	2¼-2pfpm	7.99	5⅞-5¾pm	7.28
Portugal	262.80-264.95	263.15-264.15	20-60cdis	-1.82	60-160dis	-1.67
Spain	205.15-206.50	205.40-205.70	9pm-2cdis	0.20	25-2pm	0.26
Italy	2342¼-2355¼	2346¼-2347¼	3-1lirepm	1.02	5-3pm	0.68
Norway	11.78½-11.84¼	11.80½-11.81½	1¼-⅜orepm	0.95	2⅞-2⅛pm	0.85
France	10.87¼-10.92½	10.88¾-10.89¾	4¼-3⅞cpm	4.41	11¼-10⅜pm	4.04
Sweden	11.01¾-11.06	11.02¾-11.03¾	3⅛-2⅛orepm	2.86	7-6¼pm	2.33
Japan	223¾-225¾	223¾-224¾	1⅝-1½ypm	8.36	4½-4⅜pm	7.92
Austria	22.42-22.49	22.44-22.47	13¾-12grpm	6.81	39-36½pm	6.74
Switzerland	2.68¾-2.70¾	2.68¾-2.69¾	1⅞-1¾cpm	8.80	5½-5pm	7.80

Belgian rate is convertible francs. Financial franc 67.05-67.15. Six-month forward dollar 2.98-2.93cpm 12 months 5.05-4.95cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Dec.22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7950-1.8065	1.7985-1.7995	0.52-0.50cpm	3.40	1.52-1.49pm	3.35
Ireland†	1.5050-1.5095	1.5060-1.5070	0.27-0.32cdis	-2.35	0.60-0.70dis	-1.73
Canada	1.1950-1.1995	1.1950-1.1960	0.07-0.10cdis	-0.85	0.41-0.46dis	-1.45
Netherlands	1.9970-2.0055	2.0020-2.0030	0.69-0.66cpm	4.04	1.83-1.78pm	3.61
Belgium	37.05-37.20	37.10-37.20	8.00-6.00cpm	2.26	19.00-16.00pm	1.88
Denmark	6.84-6.86¾	6.85½-6.86	1.20-0.80orepm	1.75	2.50-2.00pm	1.31
W. Germany	1.7690-1.7770	1.7730-1.7740	0.68-0.65pfpm	2.25	1.76-1.72pm	3.92
Portugal	146½-147	146½-146¾	35-55cdis	-3.68	140-190dis	-4.50
Spain	113.95-114.45	114.15-114.25	20-30cdis	-2.63	80-90dis	-2.98
Italy	1302-1308	1304½-1305	2.00-3.50liredis	-2.53	8.00-10.00dis	-2.76
Norway	6.55¾-6.57	6.56¼-6.56¾	1.25-1.50oredis	-2.51	4.10-4.50dis	-2.62
France	6.04¾-6.06¼	6.05¼-6.05¾	0.55-0.45cpm	0.99	1.15-0.95pm	0.69
Sweden	6.12-6.14	6.13-6.13½	0.05-0.25oredis	-0.29	1.35-1.75dis	-0.68
Japan	124.50-124.75	124.65-124.75	0.55-0.52ypm	5.15	1.48-1.45pm	4.70
Austria	12.44¾-12.48¾	12.48½-12.49	4.10-3.50gropm	3.66	11.80-10.20pm	3.54
Switzerland	1.4930-1.4990	1.4965-1.4975	0.61-0.57cpm	4.73	1.64-1.59pm	4.31

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.25-37.35.

EURO-CURRENCY INTEREST RATES

Dec.22	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	12¼-12	12½-12¼	13-12⅞	13⅛-12 13/16	13-12⅞	12¾-12⅝
US Dollar	8 13/16-8¾	10⅞-10⅝	9⅜-9¼	9⅜-9¼	9⅜-9¼	9½-9⅜
Can. Dollar	9¼-9	9¾-9½	10⅜-10¼	10⅞-10⅝	11⅛-10⅞	11¼-11
D. Guilder	5¾-5½	5¾-5½	5 11/16-5⅝	5¾-5⅝	5¾-5⅝	5 13/16-5 11/16
Sw. Franc	4½-4¼	6½-6¼	5⅝-5½	5-4⅞	5-4⅞	4 15/16-4 13/16
Deutschmark	4-3¾	5¼-4⅞	5⅜-5¼	5⅜-5¼	5⅜-5¼	5⅜-5¼
Fr. Franc	8⅜-8¼	8⅜-8¼	8⅝-8½	8⅝-8½	8⅝-8½	8 11/16-8 9/16
Italian Lire	12-10	12½-10½	12¼-11⅞	12½-11⅞	12¼-12	12½-12¼
B. Fr. (Fin)	7¾-7½	7½-7¾	7⅞-7⅝	7¾-7½	7 13/16-7⅝	7 15/16-7⅞
B. Fr. (Con.)	7¾-7½	7½-7¾	7⅞-7⅝	7¾-7½	7⅞-7½	7⅞-7½
Yen	5-4¾	5⅜-5¼	4¾-4⅝	4⅞-4¾	4⅝-4½	4 13/16-4⅝
D. Krone	8¾-8¼	8⅝-8¼	8⅜-7 15/16	8¼-7⅞	8⅜-8	8½-8⅜
Asian $Sing	8¾-8⅝	8 15/16-8⅞	9⅝-9¼	9⅝-9½	9⅝-9½	9¾-9⅝

Long term Eurodollars: two years 9⅝-9½ per cent; three years 9¾-9⅝ per cent; four years 9¾-9⅝ per cent; five years 9¾-9⅝ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Dec.22	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.799	3.190	224.3	10.89	2.693	3.603	2347	2.151	66.85
$	0.556	1	1.773	124.7	6.053	1.497	2.003	1305	1.196	37.16
DM	0.313	0.564	1	70.31	3.414	0.844	1.129	735.7	0.674	20.96
YEN	4.458	8.021	14.22	1000.	48.55	12.01	16.06	10464	9.590	298.0
F Fr.	0.918	1.652	2.929	206.0	10.	2.473	3.309	2155	1.975	61.39
S Fr.	0.371	0.668	1.185	83.29	4.044	1	1.338	871.5	0.799	24.82
H Fl.	0.278	0.499	0.885	62.25	3.022	0.747	1	651.4	0.597	18.55
Lira	0.426	0.767	1.359	95.57	4.640	1.147	1.535	1000.	0.916	28.48
C $	0.465	0.836	1.483	104.3	5.063	1.252	1.675	1091	1	31.08
B Fr.	1.496	2.691	4.772	335.5	16.29	4.028	5.390	3511	3.218	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

US data have little impact

A HIGHER than expected 0.1 p.c. rise in November US durable goods orders had little impact on US Treasury bond futures yesterday, despite the fact that the market had been looking for a fall of between 0.7 p.c. and 2.0 p.c.

A drop of 54,000 in US unemployment figures for the week ending December 10, was also regarded as surprising, suggesting that the economy continues to grow at a strong pace, but in thin pre-Christmas trading there was very little reaction on futures markets.

March US Treasury bond futures closed at 89-19 on Liffe, compared with 89-20 on Wednesday.

Sterling denominated contracts were equally subdued, on lack of fresh factors, and nervousness ahead of today's UK trade figure announcement. Volume remained quiet.

March short sterling futures finished in the middle of a narrow trading range, at 87.30, unchanged from Wednesday. Long term gilt futures also closed unchanged, at 96.02 for March delivery.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
90	606	722	2	2
92	411	529	7	9
94	225	347	21	27
96	103	219	63	63
98	24	116	220	160
100	9	38	405	318
102	3	16	563	460

Estimated volume total, Calls 1736 Puts 610
Previous day's open int. Calls 16656 Puts 13513

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
84	548	549	10	45
86	361	414	23	110
88	222	257	48	153
90	112	202	138	262
92	31	117	257	413
94	12	48	438	544
96	5	—	631	—

Estimated volume total, Calls 70 Puts 50
Previous day's open int. Calls 2024 Puts 3506

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Puts-settlements Mar
16500	1561	76
17000	1150	165
17500	799	314
18000	521	536
18500	317	832
19000	180	1195
19500	95	1610

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 0 Puts 0

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Jan	Calls-settlements Feb	Puts-settlements Jan	Puts-settlements Feb
165	1490	1490	0	5
170	990	990	1	30
175	490	532	27	120
180	148	241	185	329

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
9000	80	92	6	19
9025	59	73	10	25
9050	42	57	18	34
9075	27	44	28	46

LIFFE SHORT STERLING

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
8700	58	119	28	22
8725	43	100	38	28
8750	31	83	51	36
8775	21	68	66	46

Estimated Volume 1544 (3161)
Previous day's open int. 9974 (10479)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7990	1.7939	1.7840	1.7695	1.7490

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.7850	1.7892	1.7832	1.7910
Jun	1.7700	1.7708	1.7700	1.7766
Sep	1.7640	-	1.7640	1.7670

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Mar	0.6735	0.6747	0.6731	0.6751
Jun	0.6810	0.6820	0.6805	0.6827
Sep	0.6890	-	0.6890	0.6907

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Mar	280.65	281.25	280.50	280.45
Jun	283.75	284.05	283.50	283.40
Sep	286.80	286.80	-	286.20

EUROPEAN OPTIONS EXCHANGE

Series								
PHILIPS P	Fl. 35	15	2.60	330	3.60	10	4	Fl. 32.70
ROYAL DUTCH C	Fl. 230	576	3.30	250	9.10	5	10.80	Fl. 228
ROYAL DUTCH P	Fl. 230	254	4	76	7.20	18	10.50	Fl. 228
UNILEVER C	Fl. 120	436	1.40	170	5.10	-	-	Fl. 116.60
UNILEVER P	Fl. 120	224	4.50 B	22	6.40 B	9	9	Fl. 116.60
VAN OMMEREN C	Fl. 35	88	1	513	2.10	16	2.50	Fl. 34.50
VAN OMMEREN P	Fl. 35	-	-	27	2	-	-	Fl. 34.50

TOTAL VOLUME IN CONTRACTS : 25,827
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	13	City Merchants Bank	13	NatWestminster	13
Adam & Company	13	Clydesdale Bank	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Comm. Bk. N. East	13	Norwich Gen. Trust	13
Allied Irish Bank	13	Co-operative Bank	*13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Coutts & Co	13	Provincial Bank PLC	14
ANZ Banking Group	13	Cyprus Popular Bk	13	R. Raphael & Sons	13
Associates Cap Corp	12	Dunbar Bank PLC	13	Roxburghe G'rantee	13½
Authority Bank	13	Duncan Lawrie	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Equatorial Bank plc	13	Royal Trust Bank	13
Bank of Baroda	13	Exeter Trust Ltd	13½	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	Financial & Gen. Bank	13	Standard Chartered	13
Bank Hapoalim	13	First National Bank Plc.	14	TSB	13
Bank Leumi (UK)	13	● Robert Fleming & Co.	13	United Bk of Kuwait	13
Bank Credit & Comm	13	Robert Fraser & Ptnrs.	13½	United Mizrahi Bank	13
Bank of Cyprus	13	Girobank	13	Unity Trust Bank Plc	13
Bank of Ireland	13	● Guinness Mahon	13	Western Trust	13
Bank of India	13	HFC Bank plc	13	Westpac Bank Corp.	13
Bank of Scotland	13	● Hambros Bank	13	Whiteaway Laidlaw	13½
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Yorkshire Bank	13
Barclays Bank	13	● Hill Samuel	§13		
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	‡13.95		
Citibank NA	13	Mount Bnkg Corp.	13		
		Nat Bk. of Kuwait	13		

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MONEY MARKETS

London rates ease

THERE WAS a softer tone to interest rates on the London money market yesterday, but trading was very quiet in a market starved of activity and new factors.

Several of the major banks have closed their books for the year, and dealers said the only chance of an upturn in volume will come from today's figures on UK trade in November. These are expected to show an improvement, after the record deficit in October.

UK clearing bank base lending rate 13 per cent from November 25

Three-month sterling interbank eased slightly to 13-12 15/16 p.c. from 13 1/16-12 15/16 p.c.

Credit conditions on the money market were comfortable. The Bank of England initially forecast a credit shortage of around £100m, but revised this to a shortage of £50m at noon, and to a flat position in the afternoon. There was no intervention in the market by the authorities.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £172m, with a rise in the note circulation absorbing £155m, and bank balances below target £20m. These factors outweighed Exchequer transactions adding £260m to liquidity.

In New York the Federal Reserve added reserves to the banking system at no fixed rate, via five-day system repurchase agreements, when Federal funds were trading at 8 13/16 p.c.

In Frankfurt the rate on call money continued to fall, as banks ran high balances through towards the end of the month.

Call money fell to 3.65 p.c. from 4.45 p.c., in comfortable credit conditions. The Bundesbank drained DM1.5bn from the banking system this week, via the normal workings of its securities repurchase agreement tender, but this failed to absorb most of the surplus liquidity.

Credit conditions are still expected to tighten before the end of the month however, as banks meet an end of year tax deadline. This is likely to take a significant amount of liquidity out of the market, leading to a sudden reversal in the credit position, and possibly draining up to DM15bn.

In Amsterdam the Dutch National Bank left the rate on short-term money market special advances unchanged at 5.6 p.c., when announcing a tender for a six-day agreement.

Dealers expect the central bank to allocate less than the Fl 1.3bn draining from the market today, as an earlier four-day pact expires.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.22) 3 months US dollars		6 months US Dollars	
bid 9¼	offer 9⅜	bid 9¼	offer 9⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	10½	One month	7.72	Three year	9.07
Broker loan rate	9¾-¾	Two month	7.99	Four year	9.09
Fed.funds	8 13/16-⅞	Three month	8.37	Five year	9.08
Fed.funds at intervention	8 13/16	Six month	8.65	Seven year	9.08
		One year	8.95	10-year	9.05
		Two year	9.05	30-year	8.94

Dec.22	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.50-3.80	5.25-5.40	5.25-5.40	5.30-5.45	5.35-5.55	5.50
Paris	8¾-8⅞	8½-8⅝	8⅞-8⅞	8⅞-8⅞	8½-8⅝	7.25
Zurich	4½-4¾	4¾-5⅛	-	4¾-5	-	-
Amsterdam	5.75-5.87	5.70-5.77	-	5.70-5.77	-	-
Tokyo	3.96875	4.78125	-	4.59375	-	-
Milan	11¼-11¾	12¼-12⅝	-	12¼-12⅝	-	-
Brussels	7.70	7⅛-7⅞	-	7⅝-7 13/16	-	-
Dublin	7½-7¾	7¾-8	8-8¼	8¼-8½	8½-8¾	-

LONDON MONEY RATES

Dec.22	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12⅞	12⅞	12 11/16	13 1/16	13	12⅞
Interbank Bid	12	12¾	12⅝	12 15/16	12 13/16	12¾
Sterling CDs	-	-	12⅝	12 13/16	12 13/16	12½
Local Authority Deps.	12¾	12¾	12¾	12 13/16	12¾	12⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	12¾	12½	12⅝	12⅝	-	-
Company Deposits	-	-	13	13 1/16	13	12¾
Finance House Deposits	-	-	12¾	12 15/16	12 13/16	12⅝
Treasury Bills (Buy)	-	-	12⅜	12⅝	-	-
Bank Bills (Buy)	-	-	12⅝	12¾	12½	-
Fine Trade Bills (Buy)	-	-	13¼	13⅛	12⅞	-
Dollar CDs	-	-	9.55-9.50	9.30-9.25	9.35-9.30	9.50-9.45
SDR Linked Dep Offer	-	-	8	8	8	8
SDR Linked Dep Bid	-	-	7¾	7¾	7¾	7¾
ECU Linked Dep Offer	-	-	8	8⅛	8⅛	8¼
ECU Linked Dep Bid	-	-	7⅞	7 15/16	7 15/16	8

Treasury Bills (sell): one-month 12½ per cent; three months 12⅜ per cent; Bank Bills (sell): one-month 12⅝ per cent; three months 12 11/16 per cent; Treasury Bills: Average tender rate of discount 12.5634 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 30, 1988. Agreed rates for period December 26, 1988 to January 24, 1989, Scheme I: 13.27 p.c., Schemes II & III: 13.61 p.c. Reference rate for period November 1, 1988 to November 30, 1988, Scheme IV&V: 12.251 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ from December 1, 1988: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July 5, 1988, Deposits withdrawn for cash 5 per cent.

FT LAW REPORTS

Removal of debt achieves tax loss

YOUNG, AUSTEN & YOUNG LTD v DUNSTAN
Court of Appeal (Lord Justice Lloyd, Lord Justice Balcombe an Sir George Waller): December 19 1988

AN INCREASE of share capital followed by the acquisition of the new shares by an existing shareholder in proportion to his existing beneficial shareholding is a reorganisation of share capital for capital gains tax purposes; and the new shares are therefore treated as the same asset as the original shares and as having been acquired as they were acquired.

The Court of Appeal so held when allowing an appeal by Young, Austen & Young Ltd from Mr Justice Warner's decision that elimination of its subsidiary's debt by a share capital transaction was not a reorganisation of capital.

Paragraph 4 of Schedule 7 to the Finance Act 1965 provides: "(1)This paragraph shall apply to any reorganisation . . . of . . . share capital; and for the purposes of this paragraph: (a) References to a reorganisation of . . . share capital include: (i) any case where persons are, whether for payment or not, allotted shares . . . in proportion to . . . their holding of shares in the company . . . (ii) any case where there are more than one class of share and the rights . . . are altered . . .

"(2): . . . a reorganisation . . . of a company's share capital shall not be treated as involving any disposal of the original shares or any acquisition of the new holding . . . . but the original shares (taken as a single asset) and the new holding (taken as a single asset) shall be treated as the same asset acquired as the original shares were acquired."

LORD JUSTICE BALCOMBE giving the judgment of the court, said that in 1977 Young acquired for £16,100 all the 1,000 £1 shares in Jones Refrigeration Ltd. Shortly thereafter Young became a member of the Trafalgar House group of companies. THI Group Services was a company within the group.

When Young joined the group one share in Jones was registered in THI's name as nominee for Young. The remaining 999 shares were registered in Young's name.

Jones did not trade profitably. By March 1979 it had incurred debts to other companies in the group, and in particular to Young, amounting to £200,911. Young decided to sell its shareholding. It consulted THI as to how the matter should be handled. Before the shares could be sold the £200,922 indebtedness had to be removed from the balance sheet.

By May 1979, when a purchaser had been found, a decision had been taken to increase Jones's share capital and to apply the amount subscribed for the new shares in repaying its indebtedness.

There were two reasons for that method of dealing with the debt: first, it might create a tax loss; and second, it was group policy when disposing of an insolvent subsidiary to put its affairs in order, to ensure it was disposed of a going concern – for that reason the "share capital" method would have been adopted even if there had been no potential tax advantage.

On June 12 1979 Jones increased its share capital by 200,000 new £1 shares which were allotted to Young. Young paid £200,000 for the new shares and promptly received back £200,000 in respect of Jones's indebtedness.

On June 19 a formal agreement was made between Young, THI and the purchaser for the sale of the 201,000 shares to the purchaser for £38,000.

On June 29 that sale was completed by the transfer by Young of 200,999 shares in Jones to the purchaser, and the transfer by THI of one share to a nominee for the purchaser.

Young was assessed to £7,000 corporation tax in respect of profits for the year ending September 30 1979. It appealed. When the matter came before the Special Commissioners it was agreed that profits for the period were nil. What was in dispute was whether there was a capital loss to carry forward, and the extent of the losses for the period capable of being surrendered to another company in the group. The answer depended on whether the loss sustained by Young on sale of the shares was £16,000 as the Crown contended, or £178,100 as Young contended.

Young calculated that the cost of the shares was £16,100 plus £200,000, but that it obtained only £38,000 on disposal. It could succeed only if, for capital gains purposes, the consideration for acquisition of the new shares was £200,000.

The shares were clearly acquired "otherwise than by way of a bargain at arm's length", so that *prima facie* they were deemed to have been acquired for a consideration equal to their market value under section 22(4) of the Finance Act 1965. The Special Commissioners said their market value must have been nil.

Young sought to escape that difficulty by contending that the increase in share capital and the allotment of the new shares constituted a "reorganisation" of Jones's share capital within paragraph 4 of Schedule 7 to the 1965 Act. If that was so, it was argued, the acquisition of the 200,000 new shares was not to be treated as a separate acquisition but, together with the original 1,000 shares, was to be treated as a single asset. The effect of section 22(4) was thus side-stepped.

The question before the Special Commissioners was whether what was done on June 12 was a reorganisation of Jones's share capital within paragraph 4. They accepted Young's contention that it was. The Crown's appeal was allowed by Mr Justice Warner. Young now appealed.

Mt Thornhill for Young submitted *inter alia* that the transactions were covered by the natural and ordinary meaning of "a reorganisation of a company's share capital" in paragraph 4. Paragraph 4(1)(a) provided that "reorganisation of a company's share capital" included (i) bonus issues and (ii) rights issues. Mr McCall for the Crown contended that 4(1)(a)(i) was an exhaustive definition of *increases* of capital constituting a reorganisation.

It was common ground that paragraph 4 did not contain any express definition of "reorganisation " of share capital. "Reorganisation of a company's share capital" was not a term of art. It derived colour from its context. The court was referred to paragraphs 5, 6 and 7 of Schedule 7.

Paragraph 5 treated the conversion of convertible securities into shares on the same basis as a reorganisation of share capital; paragraph 6 treated the issue of shares or debentures in exchange for shares or debentures in a takeover situation as if it were a reorganisation of share capital; paragraph 7 dealt on a similar basis with reconstructions and amalgamations where shares in a new company replaced shares in an old company.

The court was left with the clear impression that the policy behind those paragraphs was that for capital gains tax purposes there should not be a disposal of the original holding, or an acquisition of the new holding, where the shareholders remained the same and they held their shares in equal proportions, notwithstanding that the number of the shares increased or decreased within the same company, or the old shares were replaced by new shares in a company which effectively replaced the old one. On that approach there were cases of increase of share capital which naturally fell within the phrase "reorganisation of a company's share capital" without further clarification or definition.

Thus a bonus issue of shares, meaning a capitalisation of distributable reserves which already belonged to shareholders, and the application of those reserves in paying up in full unissued shares allotted in proportion to existing shareholdings, was clearly within the phrase even if taken in isolation and without the assistance of context.

The court accepted Mr Thornhill's submissions that the draftsman of paragraph 4(1)(a)(i) included bonus issues as an example of a reorganisation of capital merely for the avoidance of doubt; and that rights issues required more specific treatment because, although rights shares would be allotted in proportion to existing shareholdings, not all shareholders might take up their rights.

Paragraph 4(1)(a)(i) did not exhaustively define those increases of capital which fell within a reorganisation.

An increase of share capital could be a reorganisation, notwithstanding that it did not come within the precise wording of 4(1)(a)(i), provided that the new shares were acquired by existing shareholders because they were existing shareholders and in proportion to their existing beneficial holdings.

"Benefical" was included in that definition because where assets were held by a nominee, Schedule 7 applied as if the property were vested in the person for whom he was nominee (see section 22(5)).

The transactions of June 12 amounted to a reorganisation of Jones's share capital within the natural meaning of that phrase in paragraph 4 of Schedule 7.

The appeal was allowed.

For the Crown: Christopher McCall QC (solicitor, Inland Revenue)

For Young: Andrew Thornhill QC and Jeremy Woolf (Ashurst Morris Crisp)

Rachel Davies
Barrister

WORLD STOCK MARKETS

AUSTRIA‡

December 22	Sch	+ or –
Creditanstalt	2,060	
Goesser	3,095	+15
Interunfall	13,600	–300
Jungbunzlauer	8,330	+80
Landerbank	388	–4
Perlmooser	635	+5
Reininghaus	898	+1
Semperit	178	–1
Steyr-Daimler	80	–2
Veitscher Mag	650	—

BELGIUM/LUXEMBOURG

December 22	Frs.	+ or –
B.B.L.	3,080	+30
Bank Intl. a Lux	13,400	—
Banque Gen. Du. Lux	13,950	—
Banque Nat. Belg	37,000	–25
Bekaert B	13,800	—
Ciment CBR	6,500	+10
Cobepa	5,340	+30
Do. AFV 1	5,380	+10
Do. AFV 2	5,410	+10
Cockerill	319	+2
Colruyt	10,000	—
Delhaize	4,730	–20
EBES	4,580	–50
Do. AFV 1	4,600	—
Do. AFV 2	4,600	—
Fabrique Nat.	620	–32
GB Inno BM	1,312	+14
Do. AFV	1,340	+14
GBL (Bruxl)	3,800	+110
Do. AFV 1	3,750	+120
Do. AFV 2	3,750	+120
Do. AFV 3	3,750	+120
Gechem	650	–2
Do. AFV	600	–48
Generale Bank	6,300	+70
Do. AFV 1	6,550	+180
Do. AFV 2	6,860	–90
Gevaert	7,910	–90
Hoboken	11,700	+75
Do. AFV	11,625	–50
Intercom	3,535	–50

FRANCE (continued)

December 22	Frs.	+ or –
Arjomari-Prioux	2,162	–23
Auxiliare d'Ent	1,070	+15
BIC	823	+16
BSN	6,170	+150
Bancaire Cie	506	+1
BNP (Cert. Inv.)	298	+18
Beghin-Say	545	—
Do. Certs	354	—
Bongrain	3,040	+53
Bouygues	585	+20
Carnaud	583	+13
Carrefour	3,136	+58
Casino	177	+3
Cetelem	626	+26
Chargeurs	1,178	+23
Ciments Fr.	1,175	–14
Club Mediterranee	527	+8
Cofimeg	345	+5
Coguh	345	—
CGE	403.5	+8.4
Coparex	363	—
Cred Foncier Fr	880	+7
Credit National	998	+14
Darmart	3,274	+24
Docks de France	2,670	+25
Dollfuss-Mieg	439	+19
Dumez S.A.	725	+18
Eaux (Cie Gen)	1,558	+36
Ecco	1,761	+12
Electrofin'ce	857	+31
Elf-Aquitaine	377	+1
Do. Certs	324	–6
Epeda-Bertrand	1,130	—
Essilor	3,390	+42
Eternit (Fin.)	2,680	+90
Eurafrance	1,470	+44
Eurocom	1,350	+10
Euromarche	2,670	+120
Exor	1,220	+60
Finextel	204	–2
Fonciere Lyons	432	—
Fromageries	1,628	+8
GTM-Entrepose	793	+13
Gaumont (Soc ID)	690	—
Gen Geophysique	595	+22

INDICES

NEW YORK — DOW JONES

	Dec 21	Dec 20	Dec 19	Dec 16	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2164.64	2166.07	2172.68	2150.71	2183.50 (21/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.71	88.67	88.44	88.48	91.25 (3/3)	86.12 (4/1)	–	–
Transport	962.91	965.17	970.90	960.95	965.17 (20/12)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	184.57	184.57	184.98	184.51	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2178.57 (2192.68) Low 2146.07 (2161.25)

STANDARD AND POOR'S	Dec 21	Dec 20	Dec 19	Dec 16	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	277.38	277.47	278.91	276.29	282.88 (20/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	320.54	320.51	321.97	318.70	327.53 (24/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	24.39	24.51	24.76	24.66	26.42 (20/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	155.73	155.74	156.38	155.16	159.01 (20/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	299.71	299.67	298.70	297.37	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	375.60	376.05	376.39	375.80	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Dec 16	Dec 9	Dec 2	year ago (approx.)
Dow Industrial Div. Yield	3.73	3.71	3.79	3.50
	Dec 14	**Dec 7**	**Nov 30**	**year ago (approx.)**
S & P Industrial div. yield	3.22	3.15	3.21	3.31
S & P Indl. P/E ratio	12.73	12.80	12.64	16.39

TRADING ACTIVITY † Volume (Millions)

	Dec 21	Dec 20	Dec 19
New York	147.250	161.090	162.794
Amex	9.554	12.090	11.710
OTC	137.406	138.500	131.177

NEW YORK	Dec 21	Dec 20	Dec 19
Issues Traded	1,992	1,993	1,960
Rises	648	643	839
Falls	794	837	598
Unchanged	550	513	523
New Highs	28	54	45
New Lows	43	30	34

CANADA

TORONTO	Dec 21	Dec 20	Dec 19	Dec 16	1988 High	1988 Low
Metals & Minerals	3205.9	3146.8	3091.8	3066.0	3226.5 (5/7)	2238.7 (8/2)
Composite	3354.9	3331.0	3320.4	3309.0	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1690.42	1675.90	1672.75	1655.70	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
RJR Nabisco	2,316,800	90¾	+ 1½
AT&T	1,953,600	29½	.....
Lilco	1,619,900	12⅛	.....
General Electric	1,523,100	45⅛	– ⅛
Inco	1,340,500	26⅝	+ ½
Bk of Boston	1,320,100	22⅛	– ⅜
IBM	1,233,200	123	– ⅛
Exxon	1,220,000	45⅛	– ⅛
Cummin Eng	1,212,900	57⅞	+ 6
Tacoma Bt	1,154,100	1/16	.....

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec. 22	Dec. 21	Dec. 20	Dec. 19	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1484.4	1479.8	1462.1	1451.6	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	677.7	670.6	659.3	654.0	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	219.6	221.3	221.1	218.7	225.48 (4/11)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5500.12	5500.13	5464.86	5410.4	5500.13 (21/12)	3608.35 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	265.90	264.58	259.29	256.62	265.90 (22/12)	180.68 (4/1)
FINLAND						
Unitas General (1975)	724.7	718.2	719.1	723.0	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	(u)	397.6	395.0	394.0	397.6 (21/12)	251.3 (29/1)
Ind. Tendance (31/12/87)	155.4	153.3	152.0	150.8	155.4 (22/12)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	546.50	545.51	549.05	541.23	549.05 (20/12)	396.40 (29/1)
Commerzbank (1/12/53)	1642.9	1639.6	1649.8	1623.8	1649.8 (20/12)	1207.9 (29/1)
DAX (30/12/87)	1324.15	1321.01	1333.04	1315.98	1333.04 (20/12)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2642.73	2633.09	2607.97	2611.84	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	588.61	590.48	585.81	583.10	593.43 (9/11)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	29774.61	29698.19	29567.94	29470.08	30050.82 (7/12)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2303.43	2289.56	2280.89	2276.02	2314.20 (7/12)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	284.3	283.5	285.2	283.2	285.8 (26/10)	205.7 (4/1)
ANP-CBS Industrial (1970)	248.1	248.1	249.7	248.8	252.6 (31/10)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	459.77	459.41	453.56	448.86	459.77 (22/12)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1016.14	1014.41	1014.75	1007.85	1177.87 (8/8)	833.60 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1307.0	1296.0	1289.0	1297.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1901.0	1906.0	1905.0	1902.0	1906.0 (12/12)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	276.25	277.95	279.50	278.61	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3403.6	3416.8	3399.3	3368.0	3416.8 (21/12)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	591.8	589.0	587.6	583.1	591.8 (22/12)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	487.5	484.7	486.5	493.8 (6/12)	401.0 (21/1)

**Saturday Dec. 17: Japan Nikkei (c) and TSE (c)
♦ Subject to official recalculation. † Amended.

Base values of all Indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

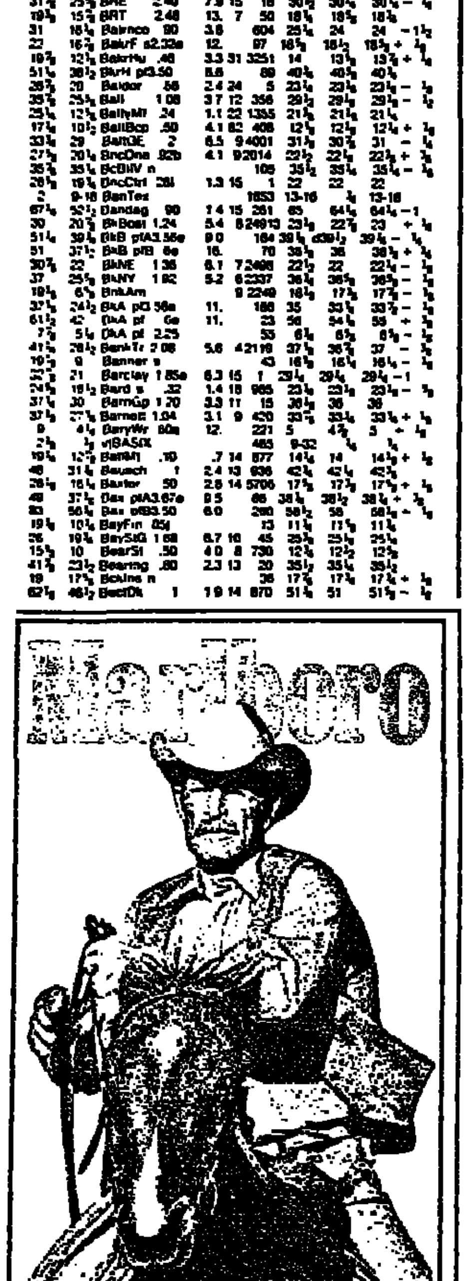
TOKYO - Most Active Stocks
Thursday 22 December 1988

	Stocks Traded	Closing Prices	Change on day
Mitsui Eng & Shipbldg.	63.9m	825	-5
NKK	52.3m	966	+1
Nippon Steel	29.1m	896	-2
Japan Line	22.3m	803	+16
Marubeni	21.9m	810	+12
Toshiba	20.2m	1,050	uch
Hitachi Zosen	17.4m	826	-14
Minebea	11.8m	1,150	+60
Taisei Corp	11.0m	1,210	+20
Kawasaki Steel	9.3m	1,000	-10

3pm prices December 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
27¾	16⅝	AAR	.44	1.8	17	59	24⅝	24⅜	24½	
10⅛	8⅜	ACM n	1.01	11.		538	8¾	8⅝	8¾	+ ⅛
12⅛	10⅜	ACMIn	1.28a	12.		1051	10⅝	10½	10½	
10⅛	9⅜	ACM M	n.08e	.9		198	9¼	d 9	9¼	– ⅛
12⅛	10⅛	ACMSc	n1.26	12.		z1219	10⅛	10⅛	10⅛	
10⅛	8½	ACMSp	n1.01e	12.		927	8⅝	8½	8⅝	– ⅛
6⅛	3⅜	AM Intl				1039	4⅞	4⅝	4⅞	+ ⅛
23⅛	18⅛	AM Int pf	2	9.3		28	21⅝	21½	21½	
55	32⅞	AMR			9	3772	52¼	51½	52¼	– ⅜
9½	5⅝	ARX			10	323	6	5⅞	5⅞	– ⅛
51⅛	35⅛	ASA	3a	7.9		321	38⅛	37⅝	37⅞	– ⅞
20⅛	12¾	AVX	.18e	1.1	12	73	16⅞	16⅝	16¾	
52⅜	42⅞	AbtLab	1.20	2.6	15	2710	47¼	46½	46⅞	– ⅛
21⅛	15⅝	AbitiBl g	1			43	15⅞	15⅝	15⅝	– ⅛
13⅞	7½	AcmeC	.40	4.5		373	8⅞	8⅝	8⅞	+ ⅛
8⅞	5⅞	AcmeE	.32b	6.1	27	14	6¼	6⅛	6¼	
29½	15⅛	Acusn			24	369	25¾	25½	25⅝	
17	14⅛	AdaEx	1.82e	12.		109	14⅞	14¾	14¾	
16⅞	7⅛	AMD			16	1787	8½	8⅛	8½	+ ⅛
43½	28¾	AMD pf	3	10.		30	30⅛	29½	29¾	– ⅛
8½	4⅞	Adobe				149	6⅜	6⅝	6⅝	– ⅛
18½	16⅛	Adob pf	1.84	11.		3	17⅛	17⅛	17⅛	– ⅛
21⅛	19⅛	Adob pf	2.40	12.		10	20½	20½	20½	– ⅛
9⅛	5⅞	Advest	.12	1.7	23	230	7½	7⅛	7⅛	
52½	39½	A.tmLf	2.76	5.8	6	2297	47½	46⅞	47⅜	+ ⅝
38⅛	24	AirPb s	.22	.6		275	34⅜	34	34⅛	
18⅝	13⅛	Ahmans	.88	5.7	9	611	15⅝	15⅜	15½	– ⅛
4⅞	1⅞	Aileen				1018	3⅝	3⅛	3⅝	– ⅛
53⅞	38½	AirPrd	1.20	3.0	10	1735	40¾	40⅜	40⅝	+ ⅜
22⅛	12¾	AirbFrt	.60	2.8	21	522	21½	20½	21⅛	
20	14½	Airlease	2.40	12.	9	51	20	19¾	20	+ ⅛
26⅝	22½	AlaP	pf2.10e	9.0		8	23⅜	23⅜	23⅜	– ⅛
9⅛	8½	AlaP	dpf.87	9.7		22	9⅛	8⅞	9	
97	89	AlaP pf	9	9.8		z100	92	92	92	–1
22½	13⅛	AlskAir	.20	1.0	10	784	20⅝	20⅛	20⅜	– ⅛
19⅛	11	Albnyln	.25	1.6	11	660	16	15⅜	15¾	– ⅛
38⅛	19⅜	Alberto	.30	.8	18	33	36⅜	36⅛	36⅜	+ ⅛
28⅛	14¾	AlbCulA	.30	1.1	13	7	26⅛	26	26⅛	+ ⅛
38⅛	24	Albtsn	.56	1.6	16	303	38	37⅛	37⅛	– ⅞



Continued on Page 35

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
6¾	3¼	Pyro				275	6⅛	6¼	6¼	
15¼	6	QMS				313	7¼	7	7	- ⅛
1⅝	½	Quadrel			2	185	9-16	9-16	9-16	
61½	38½	QuakrO	1.20	2.3	18	977	52⅛	51⅞	52⅛	+ ⅞
27¼	14⅝	QualSC	.80	4.5	35	658	17⅞	17	17¾	
16¾	6⅝	Quanex	.08e	.6	7	309	13¼	12⅞	13	+ ⅛
27½	25⅛	Quanx pf				6	25¾	25½	25½	- ¼
105¼	65½	Quantm	3	3.4	7	200	88⅞	87⅞	88¼	+ ⅞
10⅜	8⅞	QstVl	1	9.4		100	10⅝	10½	10⅝	+ ⅛
8⅞	6	QstVC	.09			160	8⅞	8¼	8¼	- ⅜
35⅞	29⅞	Questar	1.88	5.9	40	430	32⅛	32	32⅛	- ⅛
14½	10½	QkReily	.24a	2.2	8	52	11¼	11	11	- ¼
		-R-R-R-								
12⅞	4¾	RBInd			15		11⅞	11¾	11¾	
94½	44	RJR Nb	2.20	2.4	16	14524	90⅞	90	90⅛	- ⅛
119½	100½	RJR pf	11.50	11.		5	104¼	104¼	104¼	
11¼	6½	RLC	.20	1.9	8	19	10⅞	10¾	10⅞	
12½	7¼	RLI Cp	.25e	3.3	5	44	7⅝	7¼	7½	
6⅞	4¾	RPC			18	321	5⅞	5¾	5⅞	+ ⅛
32⅞	29½	Racal n				1078	32⅞	32¼	32⅞	+ ⅝
1⅜	5-16	Radice				144	⅝	½	½	
60⅞	63⅛	RalsPur	1.60	1.9	14	1365	80⅞	80¼	80½	+ ¼
10⅛	5¼	Ramad				846	9⅛	9¼	9⅛	- ⅛
8½	4	RangrO			60	469	5	4⅞	5	+ ⅛
54¼	32¾	Raycm	.32	.9	16	872	34	33⅞	33⅞	- ¼
12½	9	RJamFn	.20	2.0	10	10	10¼	10⅛	10¼	
21⅝	15	Rayonr	2.60	14.	6	72	18⅝	18½	18½	- ¼
8½	2⅜	Raytch	.05e	1.8		44	2¾	2⅝	2¾	
73⅝	61	Raythn	2	2.9	10	795	69⅞	68½	68½	- 1⅛
2½	½	ReadBt				1112	⅝	⅝	⅝	- 1-16
5⅞	1¼	RdBat pf				30	1⅞	1⅞	1⅞	
19	15¾	REIT	1.36	8.8	15	17	15⅞	15¾	15¾	
16½	14	RltRef	1.72	12.	8	1	14¼	14¼	14¼	
11⅞	6½	RecnEq				845	11⅞	11⅝	11¾	+ ⅛
10⅛	6⅝	Redmn	.36	3.8		42	9⅞	9⅞	9⅞	
18⅝	9½	Reebok	.30	2.9	7	1496	10⅝	10⅜	10½	
12⅞	9⅛	Reece	.15e	1.3	17	1	12	12	12	+ ⅛
1	5-32	Regal				109	7-32	3-16	3-16	- 1-32
6¼	5½	RegiFn	.24e	4.0		211	6⅛	6	6	
16⅝	13¾	ReichTg	1.76	13.	8	19	14	13⅞	14	+ ⅛
7½	4½	RelGrp	.32	6.9	6	483	4⅞	4⅝	4⅝	- ⅛
6⅞	4¼	RepGyp	.20	4.6	22	140	4½	4⅜	4⅜	- ⅛
48⅛	38½	RepNY	1.20	2.8	10	199	42¼	41⅛	42¼	+ ⅜
23¾	14½	Rxene	n.15e	.8		645	18⅝	17⅛	18½	+ 1½
58	34	ReyMtl	1	1.9	7	1744	52½	51¼	52⅝	+ ⅝
[illegible]										

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. [illegible]

AMEX COMPOSITE PRICES

3pm prices December 22

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

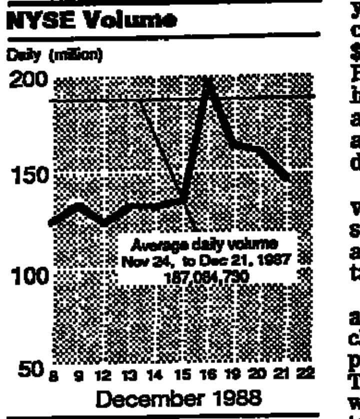
Nasdaq national market, 3pm prices December 22

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
Windm s		10 57	17½	17¼	17½	
Wolohn	.20	10 57	18⅝	18¼	18¼	- ⅛
WolvEx		172	6½	6⅜	6½	
Worthg	.44	14 425	21⅝	21½	21½	
Wyman	.80	14 90	14½	14¼	14½	
-X-Y-Z-						
XL Dta		17 131	26½	26	26	
XOMA		971	13½	13	13¼	- ¼
X-Rite s	.08	14 38	9	8⅞	8⅞	- ⅛
Xicor		12 623	7⅞	7⅜	7⅜	
Xyvan		147	5⅛	4⅝	4⅞	- ⅛
YelowF	.70	19 573	31⅞	31⅛	31½	+ ⅝
ZionUt	1.44	186	21	20	20⅝	+ ⅝

AMERICA

Dow continues to drift in spite of economic figures

Wall Street



MODERATE volume and narrowly mixed share prices characterised another desultory day on the New York Stock Exchange, *writes Karen Zagor in New York.*

At 2 pm, the Dow Jones Industrial average had edged down 1.60 to 2,163.04, with fewer than 95m shares traded.

A report that durable goods orders rose 0.1 per cent, at the high end of expectations, failed to rouse the market.

The announcement of Drexel Burnham Lambert's $650m settlement on Wednesday evening caused some relief among takeover stocks but had little overall effect.

The bond market was more sensitive to the durable goods figures and bonds dipped by ¼ of a point on the release of the figures. However, a firm dollar pushed up Treasuries early on. At midday the Treasury's benchmark long bond was unchanged at 100$\frac{5}{32}$ yielding 8.938 per cent.

The Federal Reserve is arranging five-day system repurchase agreements to tide the Fed fund over at the 8⅞ level for the holiday period.

The operation helps the Fed to avoid the risk of being unable to attract adequate collateral on Friday when many dealers will be short of staff. Fed funds were trading at 8$\frac{11}{16}$ per cent when the Fed entered the market.

The dollar traded in the Y124.65 region through the morning session and analysts expect the US currency to hold firm to the end of the year.

Detroit Edison, the mid-West electrical and steam utility, rose $1⅛ to $17⅛ following the news of a tentative settlement of the company's rate case. If the settlement is adopted it is expected to provide relative rate stability for the near future.

The week-long saga of Cummins Engine, the world's largest independent manufacturer of diesel engines, continued yesterday with shares in the company rising by $2⅜ to $59⅞ in late morning trading. However, by early afternoon it had dipped $¾ to $56⅝ in the absence of any firm evidence of a takeover approach. Last Friday Cummins closed at $48⅝.

Although Daimler-Benz, previously touted as a major suitor for Cummins, denied any interest in the company, takeover talk was prevalent.

Cummins said that it expects an unidentified investor to disclose the acquisition of over 5 per cent of Cummins shares. The company also said it would take a $50m fourth-quarter charge for the write down of assets.

Blue chip issues were marginally down in morning trading. McDonald's dropped $⅛ to $47⅛. Aluminum Company of America fell $⅛ to $53⅞.

Texaco dropped $⅛ to $51 after the oil company announced that it had completed the sale of $500m of convertible preferred stock.

Canada

GAINS by gold issues and base metal shares outweighed a decline by industrial stocks, leaving Toronto slightly higher in quiet early trading.

The composite index firmed 1.3 to 3,356.2 on light turnover of 4.1m shares.

EUROPE

Active Paris escapes from broad profit-taking trend

THE French market took up the running in Europe at the start of its new account, as profit-taking and seasonal torpor hit other leading bourses, *writes Our Markets Staff.*

PARIS jumped into action on the first day of the monthly trading account, with turnover surging and shares rising strongly on both foreign and domestic business.

The fact that settlement does not take place until late January encouraged buyers, as did relief at the easing of pressure for a US discount rate rise. The ending of the French transport strike and the favourable report from the OECD were positive factors.

The OMF 50 index finished 7.38 better at 423.46. Brokers Ferri International said turnover was about FFr3bn, the best level since late October, compared with a recent daily average of only FFr1.2bn.

Blue chips stole much of the limelight, with Peugeot gaining FFr35 to FFr1,314, Saint-Gobain up FFr19 at FFr577, Thomson-CSF adding FFr1.60 to FFr220.10 and L'Air Liquide up FFr33 at FFr598.

Foods group BSN rose a further FFr150 to FFr6,170 following Wednesday's approval of its stock split and a strong profits forecast. L'Oréal added FFr56 to FFr4,271, with some talk that it might be the next company to split its stock; its subsidiary Synthélabo rose FFr15 to FFr420 and there have been rumours that it may be up for sale.

Retailers gained on optimism about a last-minute Christmas sales surge following the end of the transport strike, with Galeries Lafayette up FFr51 at FFr1,300 and Printemps FFr14 better at FFr569.

AMSTERDAM saw early strong gains whittled away by profit-taking and prices closed just below the high for the year. The CBS all-share index rose 0.5 to 104.7 in turnover of about Fl 500m.

A series of good economic figures, notably an OECD report which said Holland would have lower labour costs and improved export prospects for 1988/89, left analysts optimistic for the new year.

Heineken, up Fl 4.50 at one stage, closed down 80 cents at Fl 142.20 in active trade amid bid speculation. Transport group van Ommeren was suspended at Fl 34.50, up 70 cents, as the company said it expected 1988 profits of about Fl 55m, a sharp rise on last year's Fl 40.4m.

Gist Brocades fell Fl 1.90 to Fl 39 on its return from suspension following its profits warning on Wednesday, while Ahold rose Fl 2.50 to Fl 87.80 on foreign demand fuelled by speculation of a rights issue and property revaluation.

FRANKFURT sank into pre-Christmas drowsiness, although the underlying tone remained firm. Turnover shrank to a thin DM2.1bn amid a general lack of orders, and the FAZ index edged up 0.99 to 546.50 while the DAX ended 3.14 higher at 1,324.15.

Among the few features, Metallgesellschaft rose DM8.50 to DM342 after saying it was selling its packaging businesses and buying a majority of an Austrian tungsten mining and smelting works in a swap with Voest-Alpine.

Steelmaker Hoesch advanced DM3.70 to DM194.70 after its bullish profit and sales forecast on Wednesday. It was the second most active stock with DM157m of shares traded.

MILAN began well but came off on profit-taking in volume estimated to be similar to Wednesday's provisional L190bn. The Comit index eased 1.87 to 588.61. Foreign interest continued to be a factor.

Fiat was typical of the profit-taking trend, closing L10 lower at L9,890 and falling after hours to L9,770.

Standa, the supermarket chain, closed L390 higher at L19,990 after reaching L20,500. One London analyst said the share appeared to be cheap on a long-term view of its fundamentals, even if near-term dividend and profit news was bad.

ZURICH was quietly mixed in moderate trading with interest focused on special situation stocks. The Crédit Suisse index rose 0.6 to 511.3.

Bearer shares tended easier while registered shares gained ground helped by trading deals between the two categories: Nestlé bearers shed SFr5 to SFr6,940 while the registered stock rose SFr150 to SFr6,380.

MADRID lost more ground as sentiment, already dampened by inflation rate doubts, was further depressed by signs of upward pressure on short-term interest rates. The general index fell 1.70 to 276.25.

BRUSSELS closed a brisk session in hesitant mood although certain stocks saw good gains.

Holding company GBL rose another BFr110 to BFr3,800, for a two-day rise of BFr150, on news that US affiliate Drexel Burnham Lambert would pay US$650m in penalties and fines and plead guilty to security fraud charges. Analysts said the deal would end speculation and uncertainty on the matter.

OSLO reached its fourth consecutive high for the year in active trading, with the all-share index up 2.03 at 339.02.

STOCKHOLM fell in quiet trading although there was selective buying at the end of the day. The Affärsvärlden General Index shed 5 to 1,006.5.

Volvo went against the trend with its B-shares rising SKr1 to SKr379 on optimism about the truck division.

Australia's nerves survive roller-coaster

The year of the Lazy Bear has ended better than expected, writes Chris Sherwell

LIKE KIDS fresh from their first roller-coaster ride, Australia's stock market players are emerging from 1988 tired but relieved after a bout of anxiety and a burst of exhilaration.

The mood is no surprise. From the lows which followed the October 1987 crash, the market has climbed, peaked and fallen back. By finishing on a higher plane, it has ended better than anyone had imagined in December 1987.

This week the widely-watched All Ordinaries index was hovering in the 1,450-1,500 range, where it has been stuck for weeks after peaking at 1,657 in August. It had begun the year a touch below 1,300, and bottomed at 1,171 in February.

The current level is well below the pre-crash peak of 2,305.5, but little different from just two years ago. The ups and downs of 1988 have nevertheless been a seminal experience for those who grew used to the cosy predictability of a five-year bull run and, before that, an over-regulated financial system.

Instead of the easier days of the Raging Bull, they must now confront the more difficult ones of the Lazy Bear. Trading volumes are down, investors are more discriminating, equity raising is hard work and brokers are battling.

That the country's bicentenary year has not been worse is because fears of a worldwide recession proved unfounded. Strengthening commodity prices made Australian stocks, and the currency, more attractive. Then came a helpful May mini-budget, cutting corporate taxes and encouraging pension funds into the market.

The result was improved profits for Australia's blue chip companies and, in the six months to August, a market which actually outperformed the rest of the world.

But concern surfaced about an overheating domestic economy and untamed balance of payments problems, and coincided with similar fears abroad of renewed inflation. This brought a sharp tightening of monetary policy, which dampened sentiment for equities. Share prices are now clearly discounting the future.

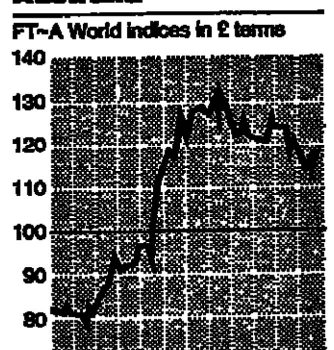
The year's most significant feature has been the attraction for investors of blue chip industrial and service stocks with domestically-generated profits and dividends franked for imputation purposes.

The big performers among the industrials have been diversified groups like BTR Nylex and Pacific Dunlop. The heavy engineering, chemicals and paper and packaging sectors have also been strong.

In services, the three big banks – Westpac, the National Australia Bank and ANZ – have been popular, as have transport stocks like TNT, Brambles and Mayne Nickless, and the large retailer Coles Myer.

Resource stocks have performed poorly because of the rising local currency and, in the case of gold, a declining bullion price. Also in retreat is BHP, Australia's largest company. Most out of favour, however, are the entrepreneurial stocks – not only companies like Ariadne, which notched up Australia's biggest ever loss, but also Sir Ron Brierley's Industrial Equity and Mr Alan Bond's Bond Corporation.

Indeed, 1988 was the year many entrepreneurs fell from sight or favour. Mr Robert Holmes à Court sold out of his Bell stable of companies. Mr Bruce Judge and Mr Kevin Parry lost their jobs as well as their companies. Mr Laurie Connell's bank fell insolvent in spite of A$700m of financial injections, and Mr Larry Adler died of a heart attack.



Still prominent was Mr Bond, with his extraordinary juggling of deals and debts. He took over Bell, floated his gold interests and traded assets as if there was no tomorrow. Further notoriety came from his association with Mr Connell, and the threat to his media empire from a Broadcasting Tribunal inquiry.

It was also a year of notable achievements: BHP finally got Mr Holmes à Court and Mr John Elliott's Elders IXL off its back, in the process giving Mr Elliott a chance of direct control of Elders. Elders beat Coles Myer to notch up the country's largest turnover of more than A$15bn. And BTR Nylex, mostly through its takeover of ACI, more than doubled its size to a A$4.5bn company.

On the future, views are mixed. The old truth that Australia's market is driven by what happens to the world economy – and especially to the US – means that all eyes are on Mr George Bush.

That in turn means continued nervousness in the near term, reinforced at home by renewed worries over Australia's economic direction. On the positive side, prospective price-earnings ratios in Australia of around nine times are low.

The big question is whether the market will move downhill or uphill. When is the next switchback? Whatever the answer, one thing is inescapable: unlike fun fairs, stock market rides do not stop.

ASIA PACIFIC

Trust funds help Nikkei rise in low volume

Tokyo

THE LAUNCH of new trust *funds and a shift of interest to* domestic demand-related issues sparked some buying enthusiasm, enabling share prices to maintain their upward momentum although volume remained low, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average finished 76.42 higher at 29,774.61. Declines led advances by 466 to 425 while 169 issues remained unchanged. The Topix index of all listed shares gained 13.87 to 2,303.43 and in London the ISE/Nikkei 50 index rose 4.02 to 1,905.36.

Volume in Tokyo was still unimpressive, however, at 734m shares, though higher than the 630m traded on Wednesday.

There was little to give the market direction apart from speculation about which sectors the investment trust funds will be looking at. Yesterday was the first of three days in which a total of 22 new investment trust funds are being set up, amounting to more than Y900bn in funds, of which about Y630bn may be invested in equities or corporate bonds CBs.

This month, investment trusts are meeting a higher percentage of their target sales: winter bonuses are up by 7 per cent on average and interest in equities has recovered somewhat since the Nikkei average broke out of its recent narrow trading, said Mr Chuck Lambert of SBCI Securities (Asia).

Investors had been expecting market activity to pick up as a result of the new investment trust funds' launch and they focused on issues that are likely to be included in the index-based funds.

Among these were regional utilities which the funds are thought likely to buy for their low prices. Kyushu Electric Power, the utility that serves the southern island, advanced Y330 to Y3,730. Tohoku Electric Power, to the north, added Y220 to Y3,620 and Chugoku Electric Power in southeastern Japan rose Y210 to Y3,610.

With Japan Line having risen substantially on the popularity of some low-priced issues, the regional utilities were seen as offering greater possible gains. Tokyo Electric Power also featured, gaining Y200 to Y6,650.

Financials were popular on the strength of possible trust fund buying. Mitsui Bank rose Y60 to Y2,380 and the Industrial Bank of Japan added Y120 to Y4,090.

Retailers rose as interest shifted to domestic demand related issues. There was talk of a new "consumer spending theme" arising in the new year. Tokyu Department Store added Y40 to Y1,370 and Mitsukoshi firmed Y60 to Y2,080. Takashimaya increased Y80 to Y2,810.

Large capital steels and shipbuildings fared poorly towards the close. These issues attracted buying interest as the yen strengthened during the day and lost to profit-taking as soon as the yen weakened against the dollar, according to Mr Shin Tokoi of County NatWest Securities.

NKK, second most active issue at 52.3m shares, rose during the day in heavy trading but closed only Y1 higher at Y966. Nippon Steel, third in volume terms at 29.1m shares, ended down Y2 at Y896. Mitsui Engineering and Shipbuilding, top of the actives list with 63.9m shares, also fell Y5 to Y825, after rising during the day to a record high of Y834.

Consumer issues led trading in Osaka where the OSE average rose by 10.59 to 27,806.24. Volume was up only slightly to 86.9m shares, compared with 83.1m on Wednesday.

Roundup

IN THE absence of strong overseas influences, local factors once again held sway in Asia Pacific with mixed results.

AUSTRALIA saw widespread gains for the fourth consecutive day on the back of domestic institutional buying in the resources and selected industrials, inspired by another rise in metal prices.

The All Ordinaries index rose 4.6 to 1,484.4 on turnover of 109m shares worth A$241m. Recent favourite National Australia Bank fell 40 cents to A$6.18 on 9.2m shares traded after going ex a 35-cent cash and scrip dividend.

HONG KONG rose in early trading but drifted off the top when the Government's public land auction at a higher than expected price failed to generate enthusiasm.

Public land auction prices are seen as pointers for the direction of the property market and Cheung Kong, the development and investment concern, attracted the most interest with a rise of 5 cents to HK$8. Elsewhere the property sector saw modest gains.

The Hang Seng Index rose 9.64 to 2,642.73 in thin trading worth HK$536m.

SINGAPORE was reluctant to follow the enthusiasm in Tokyo and Sydney, but edged ahead in light trading. The Straits Times industrial index rose 1.73 to 1,016.14.

SEOUL saw the composite index lose 7.6 to 891.03 as investors reacted to speculation that the Government was trying to cool the market in an attempt to stem inflation fears.

SOUTH AFRICA

PLATINUM shares led an advance by precious metals in Johannesburg as the platinum price regained ground. Rustenburg Platinum rose R1.25 to R47.25 while in mining financials Anglo American gained 75 cents to R61.25.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY DECEMBER 21 1988					TUESDAY DECEMBER 20 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (90)	143.94	+1.5	118.07	112.20	4.78	141.87	116.72	110.73	152.31	91.16	100.76
Austria (18)	96.77	+0.3	79.37	89.03	2.76	96.48	79.38	89.03	100.00	83.72	95.84
Belgium (63)	134.54	+1.1	110.36	123.43	4.10	133.14	109.54	122.63	139.89	99.14	97.54
Canada (125)	123.82	+0.9	101.56	107.64	3.37	122.76	101.00	106.76	128.91	107.06	111.34
Denmark (39)	156.14	+1.5	128.07	145.41	2.09	153.83	126.56	143.68	159.19	111.42	112.55
Finland (26)	129.57	+0.0	106.28	113.28	1.48	129.57	106.60	113.54	139.83	106.78	–
France (130)	110.42	+0.7	90.57	104.71	3.10	109.65	90.21	104.40	112.34	72.77	86.79
West Germany (102)	87.55	−0.2	71.81	80.54	2.34	87.77	72.21	81.04	88.26	67.78	77.13
Hong Kong (46)	109.01	+1.0	89.41	109.28	4.74	107.94	88.80	108.18	111.86	84.90	89.85
Ireland (18)	130.00	−0.4	106.63	121.30	4.15	130.45	107.33	122.22	144.25	104.60	104.73
Italy (98)	85.76	+1.3	70.34	83.36	2.43	84.63	69.63	82.67	86.73	62.99	78.55
Japan (456)	186.74	+1.0	153.17	146.79	0.51	184.85	152.08	146.17	190.93	133.61	142.78
Malaysia (36)	141.76	−0.1	116.28	147.63	2.85	141.93	116.77	147.56	154.17	107.83	109.69
Mexico (13)	160.40	+1.9	131.57	400.30	1.28	157.41	129.51	393.25	182.24	90.07	103.00
Netherland (38)	111.32	−0.3	91.31	101.49	4.86	111.61	91.82	102.13	112.38	95.23	98.92
New Zealand (25)	67.32	+2.2	55.21	56.03	7.05	65.85	54.18	55.68	84.05	63.32	74.14
Norway (25)	138.08	+3.1	113.26	122.90	2.36	133.98	110.23	119.71	138.08	98.55	100.77
Singapore (26)	120.36	+0.1	98.72	107.81	2.52	120.26	98.94	107.93	135.89	97.99	98.45
South Africa (60)	115.58	+0.0	94.80	97.17	4.75	115.52	95.04	96.57	139.07	98.26	133.44
Spain (42)	148.72	+0.4	121.99	128.50	3.18	148.16	121.90	128.69	164.47	130.73	133.10
Sweden (35)	144.97	+0.2	118.91	131.45	2.17	144.65	119.01	131.59	144.97	96.92	98.97
Switzerland (57)	76.56	+0.3	62.79	70.91	2.39	76.29	62.77	70.85	86.75	74.13	82.92
United Kingdom (315)	133.43	+0.1	109.45	109.45	4.91	133.35	109.71	109.71	141.51	120.66	132.61
USA (573)	112.89	+0.0	92.59	112.89	3.66	112.93	92.91	112.93	115.55	99.19	102.93
Europe (1006)	113.16	+0.2	92.82	99.12	3.78	112.88	92.87	99.23	116.61	97.01	104.39
Pacific Basin (679)	181.83	+1.0	149.14	143.74	0.73	179.96	148.06	143.09	185.81	130.81	139.08
Euro-Pacific (1685)	154.34	+0.8	126.60	126.04	1.64	153.12	125.98	125.68	158.08	120.36	125.25
North America (698)	113.46	+0.0	93.07	112.58	3.64	113.45	93.34	112.57	116.07	99.78	103.38
Europe Ex. UK (691)	100.25	+0.4	82.23	92.96	2.93	99.87	82.17	92.97	101.29	80.27	86.89
Pacific Ex. Japan (223)	123.04	+1.2	100.93	105.32	4.72	121.53	99.99	104.20	128.27	87.51	94.42
World Ex. US (1883)	152.90	+0.8	125.41	125.27	1.71	151.69	124.80	124.89	156.39	120.26	124.85
World Ex. UK (2141)	137.92	+0.6	113.13	122.26	2.06	137.12	112.81	121.97	139.61	111.77	114.76
World Ex. So. Af. (2396)	137.64	+0.5	112.90	121.19	2.29	136.90	112.63	120.95	139.52	113.26	116.24
World Ex. Japan (2000)	113.82	+0.2	93.36	107.55	3.75	113.64	93.50	107.53	115.54	100.00	103.70
The World Index (2456)	137.51	+0.5	112.79	121.03	2.30	136.76	112.52	120.79	139.43	113.37	116.35

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Austrian prices were unavailable December 21 due to technical problems at the Vienna Exchange.
Latest prices were unavailable for this edition.